

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

FRIEDMAN INDUSTRIES INC

Form: 10-K

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Corporate Issuer CIK: 39092

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

- Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended March 31, 2011
- Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____

Commission File No. 1-7521

FRIEDMAN INDUSTRIES, INCORPORATED

(Exact name of registrant as specified in its charter)

Texas
(State or other jurisdiction of
incorporation or organization)
4001 Homestead Road, Houston, Texas
(Address of principal executive offices)

74-1504405
(I.R.S. Employer
Identification No.)

77028
(Zip Code)

Registrant's telephone number, including area code: **(713) 672-9433**

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

Title of each class
Common Stock, \$1 Par Value

**Name of each exchange
on which registered**
NYSE-Amex Stock Exchange

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ___ No X

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ___ No X

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

Yes X No ___

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ___ No ___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

X

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

Large accelerated filer () Accelerated filer () Non-accelerated filer () Smaller reporting company (X)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes ___ No X

The aggregate market value of the Common Stock held by non-affiliates of the registrant as of September 30, 2010 (computed by reference to the closing price on such date) was approximately \$44,758,000.

The number of shares of the registrant's Common Stock outstanding at June 15, 2011 was 6,799,444 shares.

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DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Annual Report to Shareholders of Friedman Industries, Incorporated for the fiscal year ended March 31, 2011 — Part II.

Proxy Statement for the 2011 Annual Meeting of Shareholders — Part III.

PART I

Item 1. Business

Friedman Industries, Incorporated (the "Company"), a Texas corporation incorporated in 1965, is engaged in steel processing, pipe manufacturing and processing and steel and pipe distribution.

The Company has two product groups: coil and tubular products. Significant financial information relating to the Company's product groups for the last two years is contained in Note 7 of the Consolidated Financial Statements included in the Company's Annual Report to Shareholders for the fiscal year ended March 31, 2011, which financial statements are incorporated herein by reference in Item 8 hereof.

Coil Products

The Company purchases hot-rolled steel coils, processes the coils into flat, finished sheet and plate and sells these products on a wholesale, rapid-delivery basis in competition with steel mills, importers and steel service centers. The Company also processes customer-owned coils on a fee basis. The steel coils are processed through cut-to-length lines which level the steel and cut it to prescribed lengths. In addition, the Company operates steel temper mills which improve the flatness and surface qualities of hot-rolled steel. The Company's processing machinery is heavy, mill-type equipment capable of processing steel coils weighing up to 25 tons. Coils are processed to the specifications required for a particular order. Shipments are made via unaffiliated truckers or by rail and can generally be made within 48 hours of receipt of the customer's order.

The Company owns and operates two coil processing facilities located in Hickman, Arkansas and Decatur, Alabama. At each facility, the Company warehouses and processes hot-rolled steel coils which are purchased primarily from steel mills operated by Nucor Steel Company ("NSC"), which are located near each facility. Each facility operates a steel cut-to-length line and steel temper mill. In addition, the Company's XSCP Division located in Hickman purchases and markets non-standard hot-rolled coils received from NSC. Loss of NSC as a source of coil supply could have a material adverse effect on the Company's business.

Tubular Products

Through its Texas Tubular Products Division ("TTP") in Lone Star, Texas, the Company manufactures, purchases, processes and markets tubular products.

TTP operates two pipe mills. Both pipe mill #1 and pipe mill #2 are American Petroleum Institute-licensed to manufacture line and oil country pipe and also manufacture pipe for structural and piling purposes that meet recognized industry standards. TTP also employs various pipe processing equipment including threading and beveling machines, pipe handling equipment and other related machinery.

In recent years, the Company has manufactured and sold substantially all of its line and oil country pipe to U.S. Steel Tubular Products, Inc. ("USS"), an affiliate of United States Steel Corporation, pursuant to orders received from USS. In addition, the Company manufactures pipe and markets it to other customers for structural and other miscellaneous applications. In recent years, the Company has purchased pipe from USS and marketed it to others for structural and other miscellaneous applications.

In February 2009, USS announced that it was temporarily idling its plant in Lone Star, Texas, due to weak market conditions. From February 2009 until February 2010, the Company received few orders from USS and a significantly reduced supply of pipe and coils from USS. During this period, USS reopened its Lone Star facility and since February 2010, the Company has received from USS an increase in orders for finished tubular products and an increase in supply of tubular products and coil material used in the production of pipe. Loss of USS as a supplier or customer could have an adverse effect on the Company's

business. The Company can make no assurances as to orders from USS or the amounts of pipe and coil material that will be available from USS in the future.

Marketing

The following table sets forth the approximate percentage of total sales contributed by each group of products and services during each of the Company's last two fiscal years:

<u>Product and Service Groups</u>	<u>2011</u>	<u>2010</u>
Coil Products	47%	56%
Tubular Products	53%	44%

Coil Products. The Company sells coil products and processing services to approximately 170 customers located primarily in the midwestern, southwestern and southeastern sections of the United States. The Company's principal customers for these products and services are steel distributors and customers fabricating steel products such as storage tanks, steel buildings, farm machinery and equipment, construction equipment, transportation equipment, conveyors and other similar products. During each of the fiscal years ended March 31, 2011 and 2010, ten and seven customers of coil products, respectively, accounted for approximately 25% of the Company's total sales. No coil product customer accounted for as much as 10% of the Company's total sales during those years.

The Company sells substantially all of its coil products through its own sales force. At March 31, 2011, the sales force was comprised of a vice president and three professional sales personnel under the direction of the Senior Vice President — Sales and Marketing. Sales personnel are paid on a salary and commission basis.

The Company regularly contracts on a quarterly basis with many of its larger customers to supply minimum quantities of steel.

Tubular Products. The Company sells its tubular products nationally to approximately 150 customers. The Company's principal customers for these products are steel and pipe distributors, piling contractors and, historically, USS. Sales of pipe to USS accounted for approximately 20% and 4% of the Company's total sales in fiscal 2011 and 2010, respectively. From February 2009 until February 2010, the Company received few orders from USS. Since February 2010, the Company has experienced an increase in orders from USS. The Company can make no assurances as to the amount of future sales to USS.

The Company sells its tubular products through its own sales force comprised of three professional sales personnel under the direction of the Senior Vice President — Sales and Marketing. Sales personnel are paid on a salary and commission basis.

Competition

The Company is engaged in a non-seasonal, highly-competitive business. The Company competes with steel mills, importers and steel service centers. The steel industry, in general, is characterized by a small number of extremely large companies dominating the bulk of the market and a large number of relatively small companies, such as the Company, competing for a limited share of such market.

The Company believes that, generally, its ability to compete is dependent upon its ability to offer products at prices competitive with or below those of other steel suppliers, as well as its ability to provide products meeting customer specifications on a rapid-delivery basis.

Employees

At March 31, 2011, the Company had approximately 100 full-time employees.

Executive Officers of the Company

The following table sets forth as of March 31, 2011, the name, age, officer positions and family relationships, if any, of each executive officer of the Company and the period during which each officer has served in such capacity:

Name	Age	Position, Offices with the Company and Family Relationships, if any
William E. Crow	63	Chief Executive Officer since 2006 and President since 1995; formerly Chief Operating Officer since 1995, Vice President since 1981 and President of Texas Tubular Products Division since August 1990
Benny Harper	65	Senior Vice President — Finance since 1995 (formerly Vice President since 1990), Treasurer since 1980 and Secretary since May 1992
Thomas Thompson	60	Senior Vice President — Sales and Marketing since 1995; formerly Vice President — Sales since 1990

Item 1A. Risk Factors

Lead time and the cost of our products could increase if we were to lose one of our primary suppliers.

Historically, we have been dependent on NSC for our supply of coil inventory and on USS for our supply of coil material used in pipe manufacturing. While current levels are adequate to sustain our coil operations, a reduction in the supply of steel coils could have an adverse effect on our coil operations. Historically, USS has been our primary supplier of tubular products. From February 2009 until February 2010, we received a significantly reduced supply of material from USS. This reduction in the supply of tubular products and coil material used in our tubular operations from USS has had an adverse effect on our tubular operations. Since February 2010, we have experienced an increase in the supply of material from USS. The Company can make no assurances as to the amounts of pipe and coil material that will be available from USS in the future.

If, for any reason, NSC should curtail or discontinue deliveries of coil inventory to us in quantities we need and at prices that are competitive, our business could be negatively impacted. Also, if a reduction in the supply by USS of material used in the manufacture of tubular products should continue for a prolonged period or USS should discontinue such deliveries completely, the negative impact on our business could be significant. If, in the future, we are unable for a prolonged period to obtain sufficient amounts of the necessary metals at competitive prices and on a timely basis from our traditional suppliers, we may not be able to obtain such metals from alternative sources at competitive prices to meet our delivery schedules, which would have a material adverse effect on our business, financial condition or results of operations.

Our future operating results may be affected if we were to lose one of our significant customers.

In fiscal 2011 and 2010, sales of pipe to USS accounted for approximately 20% and 4%, respectively, of the Company's total sales. In February 2009, USS announced that it was temporarily idling its plant in Lone Star, Texas, due to weak market conditions. From February 2009 until February 2010, the Company received few orders from USS. These circumstances had an adverse effect on the Company's business. Since February 2010, the Company has experienced an increase in orders from USS. A prolonged reduction in sales to USS or the permanent loss of USS as a customer could have a material adverse effect on the Company's business.

Our future operating results may be affected by fluctuations in raw material prices. We may not be able to pass on increases in raw material costs to our customers.

Our principal raw materials are tubular products and steel coils, which we purchase from a limited number of primary steel producers. The steel industry as a whole is very cyclical, and at times pricing can be volatile due to a number of factors beyond our control, including general economic conditions, labor costs, competition, import duties, tariffs and currency exchange rates. This volatility can significantly affect our steel costs. We are required to maintain substantial inventories to accommodate the short lead times and just-in-time delivery requirements of our customers. Accordingly, we purchase raw materials on a regular basis in an effort to maintain our inventory at levels that we believe are sufficient to satisfy the anticipated needs of our customers based upon historic buying practices and market conditions. In an environment of increasing raw material prices, competitive conditions will impact how much of the steel

price increases we can pass on to our customers. To the extent we are unable to pass on future price increases in our raw materials to our customers, the profitability of our business could be adversely affected.

Our business is highly competitive, and increased competition could reduce our gross profit and net income.

The principal markets that we serve are highly competitive. Competition is based primarily on the precision and range of achievable tolerances, quality, price, raw materials and inventory availability and the ability to meet delivery schedules dictated by customers. Our competition in the markets in which we participate comes from companies of various sizes, some of which have greater financial and other resources than we do and some of which have more established brand names in the markets we serve. Increased competition could force us to lower our prices or to offer additional services at a higher cost to us, which could reduce our gross profit, net income and cash flows.

We are susceptible to the cyclical nature of the steel industry.

The steel industry is very cyclical and is affected significantly by general economic conditions and other factors such as worldwide production capacity, fluctuations in steel imports/exports and tariffs. Steel prices are sensitive to a number of supply and demand factors. The downturn in the U.S. economy in fiscal 2010 had an adverse effect on the U.S. steel industry and on our business. The prolonged duration of these conditions and any future downturns in the industry could have a material adverse effect on our business, financial condition or results of operations.

We may not be able to manage and integrate future capital expansions successfully.

We have in the past and may in the future expand our existing facilities and equipment through acquisitions and capital improvements. Expansion presents risks and requires that we expend both capital and personnel resources on such expansions, which may or may not be successful.

Equipment downtime or shutdowns could adversely affect our business, financial condition or results of operations.

Steel manufacturing processes are dependent on critical equipment. Such equipment may incur downtime as a result of unanticipated failures or other events, such as fires or breakdowns. Our facilities have experienced, and may in the future experience, shutdowns or periods of reduced production as a result of such equipment failures or other events. Such disruptions could have an adverse effect on our operations, customer service levels and financial results.

Increases in energy prices will increase our operating costs, and we may be unable to pass all of these increases on to our customers in the form of higher prices for our products.

We use energy to manufacture and transport our products. Our operating costs increase if energy costs rise. We do not hedge our exposure to higher prices via energy futures contracts. Increases in energy prices will increase our operating costs and may reduce our profitability and cash flows if we are unable to pass all of the increases on to our customers.

Steel companies are susceptible to changes in governmental policies and international economic conditions.

Governmental, political and economic developments relating to inflation, interest rates, taxation, currency fluctuations, social or political instability, diplomatic relations, international conflicts and other factors may adversely affect our business, financial condition or results of operations.

Steel companies are subject to stringent environmental regulations, and we may be required to spend considerable funds in order to comply with such regulations.

We are subject to a broad range of environmental laws and regulations in each of the jurisdictions in which we operate. These laws and regulations, as interpreted by relevant agencies and the courts, impose increasingly stringent environmental protection standards regarding, among other things, air emissions,

wastewater storage, treatment and discharges, the use and handling of hazardous or toxic materials, waste disposal practices and the remediation of environmental contamination.

The costs of complying with environmental requirements could be significant and failure to comply could result in the assessment of civil and criminal penalties, the suspension of operations and lawsuits by private parties. In addition, these standards can create the risk of environmental liabilities, including liabilities associated with divested assets and past activities.

Durable goods account for a significant portion of our sales, and reduced demand from this sector of the U.S. economy is likely to adversely affect our profitability and cash flows.

Downturns in demand for durable goods, or a decrease in the prices that we can realize from sales of our products to customers associated with this sector of the economy, would adversely affect our profitability and cash flows.

Competition from other materials may have a material adverse effect on our business, financial condition or results of operations.

In many applications, steel competes with other materials, such as aluminum, cement, composites, glass, plastic and wood. Additional substitutes for steel products could adversely affect future market prices and demand for steel products.

Product liability claims could adversely affect our operations.

We sell products to manufacturers who are engaged in selling a wide range of end products. Furthermore, our products are also sold to, and used in, certain safety-critical applications. If we were to sell steel products that were inconsistent with the specifications of the order or the requirements of the application, significant disruptions to the customer's production lines could result. There could also be consequential damages resulting from the use of such products. We have a limited amount of product liability insurance coverage, and a major claim for damages related to products sold could have a material adverse effect on our business, financial condition or results of operations.

Our common stock is subject to price volatility unrelated to our operations.

The market price of our common stock could fluctuate substantially due to a variety of factors, including market perception of our ability to achieve our planned growth, quarterly operating results, trading volume in our common stock, changes in general conditions in the economy and the financial markets or other developments affecting our competitors or us.

In addition, the stock market is subject to extreme price and volume fluctuations. This volatility has had a significant effect on the market price of securities issued by many companies for reasons unrelated to their operating performance and could have the same effect on our common stock.

Certain provisions of our articles of incorporation may discourage a third party from making a takeover proposal.

Our articles of incorporation provide that the affirmative vote of the holders of 80% of all of our outstanding shares of stock entitled to vote in elections of directors is required for a merger or consolidation of the Company with and into any other corporation or the sale, lease or other disposition of all or substantially all of our assets. This may have the effect of discouraging a takeover proposal or tender offer not approved by management and the board of directors and could result in shareholders who may wish to participate in such a proposal or tender offer receiving less for their shares than otherwise might be available in the event of a takeover attempt.

Item 1B. Unresolved Staff Comments

Not required.

Item 2. Properties

The principal real properties of the Company are described in the following table:

<u>Location</u>	<u>Approximate Size</u>	<u>Ownership</u>
Lone Star, Texas		
Plant — Texas Tubular Products	118,260 sq. feet	Owned(1)
Offices — Texas Tubular Products	9,200 sq. feet	Owned(1)
Land — Texas Tubular Products	81.70 acres	Owned(1)
Longview, Texas		
Offices	2,600 sq. feet	Leased(2)
Houston, Texas		
Offices	4,000 sq. feet	Leased(3)
Hickman, Arkansas		
Plant and Warehouse — Coil Products	42,600 sq. feet	Owned(1)
Offices — Coil Products	2,500 sq. feet	Owned(1)
Land — Coil Products	26.19 acres	Owned(1)
Decatur, Alabama		
Plant and Warehouse — Coil Products	48,000 sq. feet	Owned(1)
Offices — Coil Products	2,000 sq. feet	Owned(1)
Land — Coil Products	47.3 acres	Owned(1)

- (1) All of the Company's owned real properties, plants and offices are held in fee and are not subject to any mortgage or deed of trust.
- (2) The office lease is with a non-affiliated party, expires April 30, 2013, and provides for an annual rental of \$30,084.
- (3) In September 2006, the Company sold real property in Houston, Texas and signed a 12-month lease agreement to rent office space at this location. The office lease is with Steelvest Property, LLC, a company affiliated with Max Reichenthal, a director of the Company. The lease is renewable on a quarterly basis and provides for a monthly rental payment of \$1,400.

Item 3. Legal Proceedings

The Company is not a party to, nor is its property the subject of, any material pending legal proceedings.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company's Common Stock is traded principally on the NYSE-Amex Stock Exchange (Symbol: FRD).

Reference is hereby made to the sections of the Company's Annual Report to Shareholders for the fiscal year ended March 31, 2011, entitled "Description of Business — Range of High and Low Sales Prices of Common Stock" and "Description of Business — Cash Dividends Declared Per Share of Common Stock", which sections are hereby incorporated herein by reference.

The approximate number of shareholders of record of Common Stock of the Company as of May 13, 2011 was 310.

Item 6. Selected Financial Data

Not required.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Information with respect to Item 7 is hereby incorporated herein by reference from the section of the Company's Annual Report to Shareholders for the fiscal year ended March 31, 2011, entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Not required.

Item 8. Financial Statements and Supplementary Data

The following financial statements and notes thereto of the Company included in the Company's Annual Report to Shareholders for the fiscal year ended March 31, 2011, are hereby incorporated herein by reference:

Consolidated Balance Sheets — March 31, 2011 and 2010

Consolidated Statements of Earnings — Years ended March 31, 2011 and 2010

Consolidated Statements of Stockholders' Equity — Years ended March 31, 2011 and 2010

Consolidated Statements of Cash Flows — Years ended March 31, 2011 and 2010

Notes to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

Information with respect to supplementary financial information relating to the Company appears in Note 8 — Summary of Quarterly Results of Operations (Unaudited) of the Notes to Consolidated Financial Statements incorporated herein by reference above in this Item 8 from the Company's Annual Report to Shareholders for the fiscal year ended March 31, 2011.

The following supplementary schedule for the Company for the year ended March 31, 2011, is included elsewhere in this report:

Schedule II — Valuation and Qualifying Accounts

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and, therefore, have been omitted.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Company's principal executive officer (CEO) and principal financial officer (CFO), evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on this evaluation, the CEO and CFO have concluded that, as of the end of such period, the Company's disclosure controls and procedures were effective to ensure that information that is required to be disclosed by the Company in the reports it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to the Company's management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Internal Control Over Financial Reporting

Management's report on internal control over financial reporting appears on page 15 of the Company's Annual Report to Shareholders for the year ended March 31, 2011, which is incorporated herein by reference. This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to the rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

There were no changes in the Company's internal control over financial reporting that occurred during the fiscal quarter ended March 31, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

Except as otherwise set forth below, information with respect to Item 10 is hereby incorporated herein by reference from the Company's proxy statement in respect of the 2011 Annual Meeting of Shareholders, definitive copies of which are expected to be filed with the Securities and Exchange Commission on or before 120 days after the end of the Company's 2011 fiscal year.

Information with respect to Item 10 regarding executive officers is hereby incorporated by reference from the information set forth under the caption "Executive Officers of the Company" in Item 1 of this report.

The Company has adopted the Friedman Industries, Incorporated Code of Conduct and Ethics (the "Code") which applies to the Company's employees, directors and officers, including its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of the Code is filed as an exhibit hereto.

Item 11. Executive Compensation

Information with respect to Item 11 is hereby incorporated herein by reference from the Company's proxy statement in respect of the 2011 Annual Meeting of Shareholders, definitive copies of which are expected to be filed with the Securities and Exchange Commission on or before 120 days after the end of the Company's 2011 fiscal year.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Equity Compensation Plan Information

The Company had no equity compensation plans as of March 31, 2011.

Security Ownership Information

The additional information with respect to Item 12 regarding the security ownership of certain beneficial owners and management, and related matters, is hereby incorporated herein by reference from the Company's proxy statement in respect to the 2011 Annual Meeting of Shareholders, definitive copies of which are expected to be filed with the Securities and Exchange Commission on or before 120 days after the end of the Company's 2011 fiscal year.

Item 13. Certain Relationships and Related Transactions

Information with respect to Item 13 is hereby incorporated herein by reference from the Company's proxy statement in respect of the 2011 Annual Meeting of Shareholders, definitive copies of which are expected to be filed with the Securities and Exchange Commission on or before 120 days after the end of the Company's 2011 fiscal year.

Item 14. Principal Accountant Fees and Services

Information with respect to Item 14 is hereby incorporated herein by reference from the Company's proxy statement in respect of the 2011 Annual Meeting of Shareholders, definitive copies of which are expected to be filed with the Securities and Exchange Commission on or before 120 days after the end of the Company's 2011 fiscal year.

PART IV

Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) Documents included in this report

1. Financial Statements

The following financial statements and notes thereto of the Company are included in the Company's Annual Report to Shareholders for the fiscal year ended March 31, 2011, which is incorporated herein by reference:

- Consolidated Balance Sheets — March 31, 2011 and 2010
- Consolidated Statements of Earnings — Years ended March 31, 2011 and 2010
- Consolidated Statements of Stockholders' Equity — Years end March 31, 2011 and 2010
- Consolidated Statements of Cash Flows — Years ended March 31, 2011 and 2010
- Notes to Consolidated Financial Statements
- Report of Independent Registered Public Accounting Firm

2. Financial Statement Schedules

The following financial statement schedule of the Company is included in this report at page S-1:

Schedule II — Valuation and Qualifying Accounts

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and, therefore, have been omitted.

3. Exhibits

Exhibit No.	Description
3.1	— Articles of Incorporation of the Company, as amended (filed as an exhibit to and incorporated by reference from the Company's Annual Report on Form 10-K for the year ended March 31, 1982).
3.2	— Articles of Amendment to the Articles of Incorporation of the Company, as filed with the Texas Secretary of State on September 22, 1987 (filed as an exhibit to and incorporated by reference from the Company's Annual Report on Form 10-K for the year ended March 31, 1988).
3.3	— Amended and Restated Bylaws of the Company (incorporated by reference from Exhibit 3.1 to the Company's Current Report on Form 8-K filed on February 9, 2006).
10.1	— Lease Agreement between Steelvest Property, LLC and the Company dated September 8, 2006, regarding office space (incorporated by reference from Exhibit 10.13 to the Company's Annual Report on Form 10-K for the year ended March 31, 2008).
**13.1	— The Company's Annual Report to Shareholders for the fiscal year ended March 31, 2011.
**14.1	— Friedman Industries, Incorporated Code of Conduct and Ethics.
**21.1	— List of Subsidiaries.
**31.1	— Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed by William E. Crow.
**31.2	— Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed by Ben Harper.
**32.1	— Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed by William E. Crow.
**32.2	— Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed by Ben Harper.

** Filed herewith.

Copies of exhibits filed as a part of this Annual Report on Form 10-K may be obtained by shareholders of record at a charge of \$.10 per page. Direct inquiries to: Ben Harper, Senior Vice President — Finance, Friedman Industries, Incorporated, P. O. Box 21147, Houston, Texas 77226.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Friedman Industries, Incorporated has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, this 24th day of June, 2011.

FRIEDMAN INDUSTRIES, INCORPORATED

By: /s/ William E. Crow

William E. Crow
Chief Executive Officer and
President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of Friedman Industries, Incorporated in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ WILLIAM E. CROW</u> William E. Crow	Chief Executive Officer and President and Director (Principal Executive Officer)	June 24, 2011
<u>/s/ BENNY B. HARPER</u> Benny B. Harper	Senior Vice President — Finance Secretary/Treasurer (Principal Financial and Accounting Officer)	June 24, 2011
<u>Durga D. Agrawal</u>	Director	June , 2011
<u>/s/ CHARLES W. HALL</u> Charles W. Hall	Director	June 24, 2011
<u>/s/ ALAN M. RAUCH</u> Alan M. Rauch	Director	June 24, 2011
<u>/s/ MAX REICHENTHAL</u> Max Reichenthal	Director	June 24, 2011
<u>/s/ HERSHEL M. RICH</u> Hershel M. Rich	Director	June 24, 2011
<u>/s/ JOEL SPIRA</u> Joel Spira	Director	June 24, 2011
<u>/s/ JOE L. WILLIAMS</u> Joe L. Williams	Director	June 24, 2011

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS

FRIEDMAN INDUSTRIES, INCORPORATED

Column A Description	Column B Balance at Beginning of Period	Column C Additions		Column D Deductions — Describe(B)	Column E Balance at End of Period
		Charged to Costs and Expenses	Charged to Other Accounts — Describe(A)		
Year ended March 31, 2011					
Allowance for doubtful accounts receivable and cash discounts (deducted from related asset account)	\$ 37,276	\$ 7,867	\$ 780,750	\$ 788,617	\$ 37,276
Year ended March 31, 2010					
Allowance for doubtful accounts receivable and cash discounts (deducted from related asset account)	\$ 27,276	\$ 0	\$ 468,907	\$ 458,907	\$ 37,276

(A) Cash discounts allowed on sales and charged against revenue.

(B) Accounts receivable written off and cash discounts allowed on sales.

EXHIBIT INDEX

Exhibit No.	Description
3.1	— Articles of Incorporation of the Company, as amended (filed as an exhibit to and incorporated by reference from the Company's Annual Report on Form 10-K for the year ended March 31, 1982).
3.2	— Articles of Amendment to the Articles of Incorporation of the Company, as filed with the Texas Secretary of State on September 22, 1987 (filed as an exhibit to and incorporated by reference from the Company's Annual Report on Form 10-K for the year ended March 31, 1988).
3.3	— Amended and Restated Bylaws of the Company (incorporated by reference from Exhibit 3.1 to the Company's Current Report on Form 8-K filed on February 9, 2006).
10.1	— Lease Agreement between Steelvest Property, LLC and the Company dated September 8, 2006, regarding office space (incorporated by reference from Exhibit 10.13 to the Company's Annual Report on Form 10-K for the year ended March 31, 2008).
**13.1	— The Company's Annual Report to Shareholders for the fiscal year ended March 31, 2011.
**14.1	— Friedman Industries, Incorporated Code of Conduct and Ethics.
**21.1	— List of Subsidiaries.
**31.1	— Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed by William E. Crow.
**31.2	— Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed by Ben Harper.
**32.1	— Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed by William E. Crow.
**32.2	— Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed by Ben Harper.

** Filed herewith.

Copies of exhibits filed as a part of this Annual Report on Form 10-K may be obtained by shareholders of record at a charge of \$.10 per page. Direct inquiries to: Ben Harper, Senior Vice President — Finance, Friedman Industries, Incorporated, P. O. Box 21147, Houston, Texas 77226.

THE COMPANY'S ANNUAL
REPORT TO SHAREHOLDERS FOR
THE FISCAL YEAR ENDED MARCH 31, 2011

**FRIEDMAN
INDUSTRIES,
INCORPORATED
2011
ANNUAL REPORT**

FINANCIAL HIGHLIGHTS

	2011	2010
Net sales	\$131,709,492	\$65,132,170
Net earnings	\$8,155,637	\$652,024
Net earnings per share (Basic)	\$1.20	\$0.10
Cash dividends per share	\$0.84	\$0.06
Stockholders' equity	\$58,802,514	\$56,358,410
Working capital	\$45,094,969	\$41,126,841

TO OUR SHAREHOLDERS:

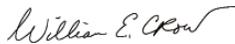
Due primarily to strong demand for tubular products associated with the energy sector of the U.S. economy, the Company experienced excellent earnings in fiscal 2011. The Company earned \$8,155,637 (\$1.20 per share diluted) on sales of \$131,709,492.

The steel industry, as a whole, is very cyclical. Currently, the Company is experiencing volatility in the market for its products and services. As always, management is focused on balancing operational requirements with changing market conditions.

Harold Friedman resigned as a Director of the Company and as Chairman of the Board of Directors in October 2010. Harold had been associated with the Company for more than 60 years. He was a leading force in taking the Company public in 1972. Through the years, he served as Chairman of the Board, President and Chief Operating Officer as well as many other executive positions. Harold's honesty, integrity, leadership and good judgment have had a strong influence on the Company and its associates.

You are invited to attend the Annual Meeting of Shareholders scheduled to start at 11 a.m. (central time) on Thursday, September 1, 2011, in the offices of Fulbright & Jaworski L.L.P., 1301 McKinney, Houston, Texas.

Sincerely,


 William E. Crow
 Chief Executive Officer and President

OFFICERS

William E. Crow
*Chief Executive Officer and
President*

Benny B. Harper
*Senior Vice President — Finance
and Secretary/Treasurer*

Thomas N. Thompson
Senior Vice President — Sales and Marketing

Ronald L. Burgerson
Vice President

Howard Henderson
Vice President of Operations — Texas Tubular Division

Robert McCain
Vice President — Decatur Division

Dale Ray
Vice President

Robert Sparkman
Vice President of Sales — Coil Divisions

Charles W. Hall
Assistant Secretary

COMPANY OFFICES AND WEB SITE

CORPORATE OFFICE
P.O. Box 21147
Houston, Texas 77226
713-672-9433

SALES OFFICE — COIL PRODUCTS
1121 Judson Road
Longview, Texas 75606
903-758-3431

SALES OFFICE — TUBULAR PRODUCTS
P.O. Box 0388
Lone Star, Texas 75668
903-639-2511

WEB SITE
www.friedmanindustries.com

COUNSEL
Fulbright & Jaworski L.L.P.
Fulbright Tower
1301 McKinney, Suite 5100
Houston, Texas 77010

AUDITORS
Hein & Associates LLP
500 Dallas Street, Suite 2900
Houston, TX 77002

TRANSFER AGENT AND REGISTRAR
American Stock Transfer & Trust Company
59 Maiden Lane
New York, New York 10007

DIRECTORS

William E. Crow
*Chief Executive Officer and
President*
Longview, Texas

Durga D. Agrawal
*President, Piping Technology & Products, Inc.
(pipe fabrication)*
Houston, Texas

Charles W. Hall
Fulbright & Jaworski L.L.P. (law firm)
Houston, Texas

Alan M. Rauch
*President, Ener-Tex
International, Inc.
(oilfield equipment sales)*
Houston, Texas

Max Reichenthal
*President, Texas Iron and Metal
(steel product sales)*
Houston, Texas

Hershel M. Rich
*Private investor and
business consultant*
Houston, Texas

Joel Spira
Private investor; formerly, Partner, Weinstein Spira & Company (accounting firm)
Houston, Texas

Joe L. Williams
*Partner, PozmantierWilliams Insurance
Consultants, LLC
(insurance and risk management consultants)*
Houston, Texas

ANNUAL REPORT ON FORM 10-K

Shareholders may obtain without charge a copy of the Company's Annual Report on Form 10-K for the year ended March 31, 2011 as filed with the Securities and Exchange Commission. Written requests should be addressed to: Ben Harper, Senior Vice President, Friedman Industries, Incorporated, P.O. Box 21147, Houston, Texas 77226.

DESCRIPTION OF BUSINESS

Friedman Industries, Incorporated (the "Company") is engaged in steel processing, pipe manufacturing and processing and steel and pipe distribution.

At its facilities in Hickman, Arkansas and Decatur, Alabama, the Company processes hot-rolled steel coils into flat, finished sheet and plate and sells these products on a wholesale, rapid-delivery basis in competition with steel mills, importers and steel service centers. The Company also processes customer-owned coils on a fee basis. Through its XSCP Division located in Hickman, Arkansas, the Company purchases and markets non-standard hot-rolled coils. The Company purchases a substantial amount of its annual coil tonnage from Nucor Steel Company ("NSC"). Loss of NSC as a source of coil supply could have a material adverse effect on the Company's business.

The Company sells its coil products and processing services directly through the Company's own sales force to approximately 170 customers located primarily in the midwestern, southwestern and southeastern sections of the United States. These products and services are sold principally to steel distributors and to customers fabricating steel products such as storage tanks, steel buildings, farm machinery and equipment, construction equipment, transportation equipment, conveyors and other similar products.

The Company, through its Texas Tubular Products Division ("TTP") located in Lone Star, Texas, manufactures, purchases, processes and markets tubular products ("pipe"). The Company sells pipe nationally to approximately 150 customers including, in recent years, a substantial amount of manufactured pipe to U.S. Steel Tubular Products, Inc. ("USS"), an affiliate of United States Steel Corporation. In recent years, the Company has also purchased a substantial portion of its annual supply of pipe and coil material used in pipe production from USS.

In February 2009, USS announced that it was temporarily idling its plant in Lone Star, Texas, due to weak market conditions. From February 2009 until February 2010, the Company received few orders from USS and a significantly reduced supply of pipe and coil material from USS. During this period, USS reopened its Lone Star facility and since February 2010, the Company has received from USS an increase in orders for finished tubular products and an increase in supply of tubular products and coil material used in the production of pipe. Loss of USS as a supplier or customer could have an adverse effect on the Company's business. The Company can make no assurances as to orders from USS or the amounts of pipe and coil material that will be available from USS in the future.

The downturn of the U.S. economy along with the significant decrease in orders from USS and the reduction in the supply of pipe and coil material from USS had an adverse effect on the Company's tubular business in fiscal 2010. From February 2009 until February 2010, the Company downsized its TTP division to a level more commensurate with operations. Since February 2010, the Company increased the level of operations of TTP to support an increase in production requirements.

Significant financial information relating to the Company's two product groups, coil and tubular products, is contained in Note 7 of Notes to the Company's Consolidated Financial Statements appearing herein.

RANGE OF HIGH AND LOW SALES PRICES OF COMMON STOCK

	Fiscal 2011		Fiscal 2010	
	High	Low	High	Low
First Quarter	\$ 6.39	\$5.13	\$ 6.95	\$ 4.47
Second Quarter	6.90	5.24	6.67	5.00
Third Quarter	8.94	6.50	6.22	4.21
Fourth Quarter	10.45	7.82	6.10	5.43

CASH DIVIDENDS DECLARED PER SHARE OF COMMON STOCK

	Fiscal 2011	Fiscal 2010
First Quarter	\$.04	\$.03
Second Quarter	.08	.01
Third Quarter	.11	.01
Special	.50	—
Fourth Quarter	.11	.01

The Company's Common Stock is traded principally on the NYSE-Amex Stock Exchange (trading symbol FRD).

The approximate number of shareholders of record of the Company as of May 13, 2011 was 310.

CONSOLIDATED BALANCE SHEETS**ASSETS**

	March 31	
	2011	2010
CURRENT ASSETS:		
Cash and cash equivalents	\$ 7,210,290	\$ 19,812,881
Accounts receivable, net of allowances for bad debts and cash discounts of \$37,276 at March 31, 2011 and 2010, respectively	12,594,954	8,686,151
Inventories	34,679,270	20,122,296
Other	77,830	81,791
TOTAL CURRENT ASSETS	54,562,344	48,703,119
PROPERTY, PLANT AND EQUIPMENT:		
Land	1,082,331	1,082,331
Buildings and yard improvements	7,014,180	7,000,839
Machinery and equipment	29,876,767	29,374,766
Less accumulated depreciation	(23,841,491)	(21,963,333)
	14,131,787	15,494,603
OTHER ASSETS:		
Cash value of officers' life insurance and other assets	890,000	834,000
TOTAL ASSETS	\$ 69,584,131	\$ 65,031,722

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31	
	2011	2010
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 7,338,762	\$ 6,912,741
Dividends payable	747,939	67,994
Current portion of long-term debt	—	13,507
Income taxes payable	350,961	94,563
Contribution to profit sharing plan	50,000	44,000
Employee compensation and related expenses	979,713	443,473
TOTAL CURRENT LIABILITIES	9,467,375	7,576,278
DEFERRED INCOME TAXES	536,699	414,403
POSTRETIREMENT BENEFITS OTHER THAN PENSIONS	777,543	682,631
COMMITMENTS AND CONTINGENCIES	—	—
STOCKHOLDERS' EQUITY:		
Common stock, par value \$1:		
Authorized shares — 10,000,000		
Issued shares — 7,975,160 at March 31, 2011 and 2010, respectively	7,975,160	7,975,160
Additional paid-in capital	29,003,674	29,003,674
Treasury stock at cost (1,175,716 shares at March 31, 2011 and 2010, respectively)	(5,475,964)	(5,475,964)
Retained earnings	27,299,644	24,855,540
TOTAL STOCKHOLDERS' EQUITY	58,802,514	56,358,410
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 69,584,131	\$ 65,031,722

See accompanying notes.

CONSOLIDATED STATEMENTS OF EARNINGS

	Year Ended March 31	
	2011	2010
Net sales	\$ 131,709,492	\$ 65,132,170
Costs and expenses:		
Cost of products sold	114,401,307	60,206,969
Selling, general and administrative	5,251,610	3,840,619
	<u>119,652,917</u>	<u>64,047,588</u>
	12,056,575	1,084,582
Interest and other income	57,138	86,490
EARNINGS BEFORE INCOME TAXES	<u>12,113,713</u>	<u>1,171,072</u>
Income taxes:		
Current	3,835,780	468,509
Deferred	122,296	50,539
	<u>3,958,076</u>	<u>519,048</u>
NET EARNINGS	<u>\$ 8,155,637</u>	<u>\$ 652,024</u>
Weighted average number of common shares outstanding:		
Basic	6,799,444	6,799,444
Diluted	6,799,444	6,799,444
Net earnings per share:		
Basic	\$ 1.20	\$ 0.10
Diluted	\$ 1.20	\$ 0.10

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings
BALANCE AT MARCH 31, 2009	\$ 7,975,160	\$ 29,003,674	\$ (5,475,964)	\$ 24,611,482
Net earnings	—	—	—	652,024
Cash dividends (\$0.06)	—	—	—	(407,966)
BALANCE AT MARCH 31, 2010	7,975,160	29,003,674	(5,475,964)	24,855,540
Net earnings	—	—	—	8,155,637
Cash dividends (\$0.84)	—	—	—	(5,711,533)
BALANCE AT MARCH 31, 2011	<u>\$ 7,975,160</u>	<u>\$ 29,003,674</u>	<u>\$ (5,475,964)</u>	<u>\$ 27,299,644</u>

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended March 31	
	2011	2010
OPERATING ACTIVITIES		
Net earnings	\$ 8,155,637	\$ 652,024
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	1,878,158	1,890,375
Deferred taxes	122,296	50,539
Change in post-retirement benefits other than pensions	94,912	67,303
Changes in operating assets and liabilities:		
Accounts receivable, net	(3,908,803)	(3,694,912)
Inventories	(14,556,974)	(719,595)
Prepaid income taxes	—	1,299,796
Other	3,961	17,740
Accounts payable and accrued expenses	426,021	4,250,532
Contribution to profit sharing plan	6,000	4,000
Employee compensation and related expenses	536,240	186,669
Income taxes payable	256,398	94,563
Net cash provided (used) by operating activities	<u>(6,986,154)</u>	<u>4,099,034</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(515,342)	(374,291)
Increase in cash value of officers' life insurance	(56,000)	(58,000)
Net cash used in investing activities	<u>(571,342)</u>	<u>(432,291)</u>
FINANCING ACTIVITIES		
Cash dividends paid	(5,031,588)	(679,944)
Principal payments on long-term debt	(13,507)	(54,028)
Net cash used in financing activities	<u>(5,045,095)</u>	<u>(733,972)</u>
Increase (decrease) in cash and cash equivalents	<u>(12,602,591)</u>	<u>2,932,771</u>
Cash and cash equivalents at beginning of year	<u>19,812,881</u>	<u>16,880,110</u>
Cash and cash equivalents at end of year	<u>\$ 7,210,290</u>	<u>\$ 19,812,881</u>

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF CONSOLIDATION: The consolidated financial statements include the accounts of Friedman Industries, Incorporated and its subsidiary (collectively, the "Company"). All material intercompany amounts and transactions have been eliminated.

REVENUE RECOGNITION: Revenues are recognized upon shipment of products. The terms of shipments made by the Company are free on board shipping point.

TRADE RECEIVABLES: The Company's receivables are recorded when billed, advanced or accrued and represent claims against third parties that will be settled in cash. The carrying value of the Company's receivables, net of the allowance for doubtful accounts and cash discounts allowed, represents their estimated net realizable value. The Company estimates its allowance for doubtful accounts based on historical collection trends, the age of outstanding receivables and existing economic conditions. Trade receivables are generally considered past due after 30 days from invoice date. Past-due receivable balances are written-off when the Company's internal collection efforts have been unsuccessful in collecting the amount due.

CASH AND CASH EQUIVALENTS: Cash and cash equivalents is composed of cash and, prior to its discontinuance in September 2009, money fund investments pursuant to a bank sweep arrangement.

INVENTORIES: Inventories consist of prime coil, non-standard coil and tubular materials. Prime coil inventory consists primarily of raw materials, non-standard coil inventory consists primarily of finished goods and tubular inventory consists of both raw materials and finished goods. Inventories are valued at the lower of cost or replacement market. Cost for prime coil inventory is determined under the last-in, first-out ("LIFO") method. At March 31, 2011 and March 31, 2010, replacement cost exceeded LIFO cost by approximately \$10,860,000 and \$7,430,000, respectively. In fiscal 2010, LIFO inventories were partially liquidated. Since the replacement costs and liquidation costs of material associated with this liquidation were approximately equal in the year, no meaningful gain or loss resulted from this partial liquidation. Cost for non-standard coil inventory is determined using the specific identification method. Cost for tubular inventory is determined using the weighted average method. Obsolete or slow-moving inventories are not significant based on the Company's review of inventories. Accordingly, no allowance has been provided for such items.

The following is a summary of inventory by product group:

	March 31	
	2011	2010
Prime coil inventory	\$ 7,239,465	\$ 4,643,951
Non-standard coil inventory	1,722,224	504,351
Tubular raw material	6,086,291	3,698,531
Tubular finished goods	19,631,290	11,275,463
	\$ 34,679,270	20,122,296

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTY, PLANT AND EQUIPMENT: Property, plant and equipment is stated at cost. Depreciation is calculated primarily by the straight-line method over the estimated useful lives of the various classes of assets as follows:

Buildings	20 years
Machinery and equipment	10 years
Yard improvements	5 to 10 years
Loaders and other rolling stock	5 to 10 years

Interest costs related to construction projects were not capitalized as part of the cost of fixed assets for the years presented. The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. No impairments were necessary at March 31, 2011 or 2010.

Maintenance and repairs are expensed as incurred.

SHIPPING COSTS: Sales are credited for freight billed to customers and freight costs are charged to cost of products sold.

SUPPLEMENTAL CASH FLOW INFORMATION: The Company paid no interest in 2011 and 2010. The Company paid income taxes of approximately \$3,738,000 in 2011. In 2010, the Company received tax refunds in excess of taxes paid of approximately \$909,000. In fiscal 2011 and 2010, noncash financing activity consisted of accrued dividends of \$5,711,533 and \$407,966, respectively.

INCOME TAXES: The Company accounts for income taxes under the liability method, whereby the Company recognizes, on a current and long-term basis, deferred tax assets and liabilities which represent differences between the financial and income tax reporting bases of its assets and liabilities. Deferred tax assets and liabilities are determined based on temporary differences between income and expenses reported for financial reporting and tax reporting. The Company has assessed, using all available positive and negative evidences, the likelihood that the deferred tax assets will be recovered from future taxable income.

USE OF ESTIMATES: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

FINANCIAL INSTRUMENTS: Since the Company's financial instruments are considered short-term in nature, their carrying values approximate fair value.

EARNINGS PER SHARE: Net income per basic common share is computed using the weighted average number of common shares outstanding during the period. Net income per diluted common share is computed using the weighted average number of common shares and potential common shares outstanding during the period. Potential common shares result from the assumed exercise of outstanding common stock options having a dilutive effect using the treasury stock method.

ECONOMIC RELATIONSHIP: U.S. Steel Tubular Products, Inc. ("USS") and Nucor Steel Company supply a significant amount of steel products to the Company. Loss of either of these mills as a source of supply could have a material adverse effect on the Company. Additionally, the Company derives revenue by selling a substantial amount of its manufactured pipe to USS. In February 2009, USS idled its plant in Lone Star, Texas, due to weak market conditions. From February 2009 until February 2010, the Company received few orders from USS and a significantly reduced supply of materials from USS. During this period, USS reopened its Lone Star facility, and since February 2010, the Company has received from USS an increase in orders for finished tubular products and an increase in supply of tubular products and coil material used in the production of pipe. Total sales to USS were approximately 20% and 4% of total Company sales in fiscal 2011 and 2010, respectively. Loss of USS as a customer could have a material

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

adverse effect on the Company's business. Other than USS, no customer accounted for 10% of total sales in the two years ended March 31, 2011.

The Company's sales are concentrated primarily in the midwestern, southwestern, and southeastern sections of the United States and are primarily to customers in the steel distributing and fabricating industries. The Company performs periodic credit evaluations of the financial conditions of its customers and generally does not require collateral. Generally, receivables are due within 30 days.

NEW ACCOUNTING PRONOUNCEMENTS:

Effective July 1, 2009, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") that codifies generally accepted accounting principles in the United States ("GAAP"). Although ASC did not change GAAP, it did change the way the Company references authoritative literature. Effective July 1, 2009, the Company adopted ASC.

ASC Topic 855, "Subsequent Events" ("ASC 855") establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. ASC 855 provides guidance on the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. The Company adopted ASC 855 during the quarter ended June 30, 2009, and its application had no impact on the Company's consolidated condensed financial statements. The Company evaluated subsequent events through the date of filing Form 10-K for fiscal 2011.

2. STOCK OPTIONS AND CAPITAL STOCK

In fiscal 2011 and 2010, the Company maintained no stock option plans. Accordingly, no options were outstanding and no options were granted in either fiscal year.

The Company has 1,000,000 authorized shares of Cumulative Preferred Stock with a par value of \$1 per share. The stock may be issued in one or more series, and the Board of Directors is authorized to fix the designations, preferences, rights, qualifications, limitations, and restrictions of each series, except that any series must provide for cumulative dividends and must be convertible into common stock. There were no shares of Cumulative Preferred Stock issued as of March 31, 2011 and March 31, 2010.

3. LONG-TERM DEBT AND COMMITMENTS AND CONTINGENCIES

Effective May 18, 2007, the Company renewed a credit arrangement with a bank which provided for a revolving line of credit facility (the "revolving facility"). Pursuant to the revolving facility which expired April 1, 2010, the Company could borrow up to \$10 million at the bank's prime rate or at 1.5% over LIBOR. The revolving facility required that the Company maintain a tangible net worth as adjusted of \$36,724,000, maintain a working capital ratio of 2 to 1 and maintain a debt to equity ratio of 1.1 to 1. At March 31, 2010, the Company maintained a tangible net worth of approximately \$56,358,000, a working capital ratio of approximately 6 to 1 and a debt to equity ratio of approximately .15 to 1. No collateral was required pursuant to the revolving facility. There were no amounts outstanding under the revolving facility at March 31, 2010. The Company did not pay a commitment fee relative to the revolving facility.

Historically, the revolving facility was renewed approximately one year before its expiration date. As a result of the current lending environment and the Company's strong cash position, the Company chose not to renew the revolving facility in fiscal 2010.

The Company is obligated under noncancelable operating leases for its Longview, Texas and Houston, Texas office buildings, which expire April 30, 2013 and August 31, 2011, respectively. The

3. LONG-TERM DEBT AND COMMITMENTS AND CONTINGENCIES (Continued)

following is a schedule of future minimum annual rental payments for the next five years required under these operating leases as of March 31, 2011:

2012	\$ 37,084
2013	30,084
2014	2,507
2015	—
2016	—
Total	<u>\$ 69,675</u>

Rental expenses for leased properties were approximately \$47,000 during fiscal 2011 and 2010, respectively.

4. EARNINGS PER SHARE

Basic and dilutive net earnings per share is computed based on the following information:

	Year Ended March 31	
	2011	2010
Basic		
Net earnings	\$ 8,155,637	\$ 652,024
Weighted average common shares	<u>6,799,444</u>	<u>6,799,444</u>
Dilutive		
Net earnings	\$ 8,155,637	\$ 652,024
Weighted average common shares and common share equivalents	<u>6,799,444</u>	<u>6,799,444</u>

5. INCOME TAXES

Components of tax expense (benefit) are as follows:

	Year Ended March 31	
	2011	2010
Federal		
Current	\$ 3,531,397	\$ 536,886
Deferred	<u>122,296</u>	<u>50,539</u>
	3,653,693	587,425
State		
Current	<u>304,383</u>	<u>(68,377)</u>
	304,383	(68,377)
Total	<u>\$ 3,958,076</u>	<u>\$ 519,048</u>

5. INCOME TAXES (Continued)

The U.S. federal statutory income tax rate is reconciled to the effective rate as follows:

	Year Ended March 31	
	2011	2010
Income Tax Expense at		
U.S. federal statutory rate	34.0%	34.0%
Benefit of tax deduction allowed to manufacturing companies	(3.0)	(2.0)
State and local income tax rates net of federal income tax benefit	1.7	1.3
True-up of income taxes on prior year filings	—	11.0
Provision for income taxes	<u>32.7%</u>	<u>44.3%</u>

In fiscal 2010, the effective tax rate of 44.3% was unusually high due primarily to true-up adjustments on prior year filings that were applied to substantially reduced earnings before income taxes in fiscal 2010.

The Company's tax returns may be subject to examination by the Internal Revenue Service for the fiscal years ending March 31, 2008 through March 31, 2010. State and local returns may be subject to examination for fiscal years ended March 31, 2008 through March 31, 2010.

Deferred income taxes are provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's consolidated deferred tax assets (liabilities) are as follows:

	March 31	
	2011	2010
Deferred tax liabilities:		
Depreciation	\$ (1,812,570)	\$ (1,654,379)
Total deferred tax liabilities	(1,812,570)	(1,654,379)
Deferred tax assets:		
Inventory capitalization	169,092	172,438
LIFO Inventory	783,645	783,611
Postretirement benefits other than pensions	264,365	232,095
Other	58,769	51,832
Total deferred tax assets	1,275,871	1,239,976
Net deferred tax liability	<u>\$ (536,699)</u>	<u>\$ (414,403)</u>

6. PROFIT SHARING PLAN

Effective May 1, 2007, the Company merged its defined contribution retirement plan and its 401(k) plan into the Friedman Industries, Inc. Employees' Retirement and 401(k) Plan (the "Plan"). In addition, the Plan year end was changed to December 31. Employees fully vest in the Plan upon 6 years of service.

The retirement portion of the Plan covers substantially all employees, including officers. The Company's contribution expenses, which are determined at the discretion of the Board of Directors in an amount not to exceed 15% of the total compensation paid during the year to all eligible employees, were \$200,000 for the year ended March 31, 2011, and \$160,000 for the year ended March 31, 2010. Contributions, Plan earnings and forfeitures of nonvested accounts of terminated participants are allocated to the remaining individual accounts determined by a point schedule based on years of employment with the Company.

6. PROFIT SHARING PLAN (Continued)

Employees may participate in the 401(k) portion of the Plan. Employees are eligible to participate in the Plan when the employee has completed one year of service. Under the Plan, participating employees may defer a portion of their pretax earnings up to certain limits prescribed by the Internal Revenue Service. The Company provides matching contributions under the provisions of the Plan. Contribution expense related to the 401(k) portion of the Plan was approximately \$49,000 and \$26,000 for the years ended March 31, 2011 and 2010, respectively.

7. INDUSTRY SEGMENT DATA

The Company is engaged in the steel processing, pipe manufacturing and processing and steel and pipe distribution business. Within the Company, there are two product groups: coil and tubular. Coil product involves converting steel coils into flat sheet and plate steel cut to customer specifications and reselling steel coils. Through its tubular operation, the Company purchases, processes, manufactures and markets tubular products. The following is a summary of significant financial information relating to the product groups:

	Year Ended March 31	
	2011	2010
NET SALES:		
Coil	\$ 62,030,202	\$ 36,359,462
Tubular	69,679,290	28,772,708
TOTAL NET SALES	\$ 131,709,492	\$ 65,132,170
OPERATING PROFIT (LOSS):		
Coil	\$ 1,368,244	\$ (841,082)
Tubular	13,391,903	3,728,236
TOTAL OPERATING PROFIT	14,760,147	2,887,154
General corporate expenses	(2,703,572)	(1,802,572)
Interest and other income	57,138	86,490
TOTAL EARNINGS BEFORE INCOME TAXES	\$ 12,113,713	\$ 1,171,072
IDENTIFIABLE ASSETS:		
Coil	\$ 25,150,156	\$ 20,376,579
Tubular	36,333,623	24,005,953
	61,483,779	44,382,532
General corporate assets	8,100,352	20,649,190
TOTAL ASSETS	\$ 69,584,131	\$ 65,031,722
DEPRECIATION:		
Coil	\$ 1,210,800	\$ 1,239,764
Tubular	665,110	643,135
Corporate and other	2,248	7,476
	1,878,158	1,890,375
CAPITAL EXPENDITURES:		
Coil	\$ 24,591	\$ 188,002
Tubular	490,751	186,289
	515,342	374,291

Operating profit is total net sales less operating expenses, excluding general corporate expenses, interest expense and interest and other income. General corporate expenses reflect general and administrative expenses not directly associated with segment operations and consist primarily of corporate and accounting salaries, professional fees and services, bad debts, accrued profit sharing expense, accrued quarterly incentive bonuses, corporate insurance expenses and office supplies. Corporate assets consist

7. INDUSTRY SEGMENT DATA (Continued)

primarily of cash and cash equivalents and the cash value of officers' life insurance. Although inventory is transferred at cost between product groups, there are no sales between product groups.

8. SUMMARY OF QUARTERLY RESULTS OF OPERATIONS (Unaudited)

The following is a summary of unaudited quarterly results of operations for the years ended March 31, 2011 and 2010:

	Quarter Ended			
	June 30, 2010	September 30, 2010	December 31, 2010	March 31, 2011
Net sales	\$ 29,222,232	\$ 29,353,262	\$ 31,135,887	\$ 41,998,111
Gross profit	3,437,938	3,887,713	3,770,753	6,211,781
Net earnings (loss)	1,435,137	1,784,431	1,733,494	3,202,575
Basic(1)	.21	.26	.25	.47
Diluted(1)	.21	.26	.25	.47

	Quarter Ended			
	June 30, 2009	September 30, 2009	December 31, 2009	March 31, 2010
Net sales	\$ 12,246,219	\$ 16,086,330	\$ 13,470,721	\$ 23,328,900
Gross profit	587,580	625,958	866,022	2,845,641
Net earnings (loss)	(162,748)	(206,247)	(41,239)	1,062,258
Basic	(.02)	(.03)	(.01)	.16
Diluted	(.02)	(.03)	(.01)	.16

(1) The sum of the quarterly earnings per share does not equal the annual amount reported as per share amounts were computed independently for each quarter.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
Friedman Industries, Incorporated
Houston, Texas

We have audited the consolidated balance sheets of Friedman Industries, Incorporated (the "Company") as of March 31, 2011 and 2010, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the two years in the period ended March 31, 2011. Our audits also included the financial statement schedule of Friedman Industries, Incorporated listed in Item 15(a). These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Friedman Industries, Incorporated as of March 31, 2011 and 2010, and the results of their operations and their cash flows for each of the two years in the period ended March 31, 2011, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We were not engaged to examine management's assertion about the effectiveness of the Company's internal control over financial reporting as of March 31, 2011 included in the accompanying management's report on internal control over financial reporting and, accordingly, we do not express an opinion thereon.

/s/ HEIN & ASSOCIATES LLP

Houston, Texas
June 27, 2011

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is a process designed under the supervision of our principal executive and principal financial officers, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

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

Our management assessed the effectiveness of our internal control over financial reporting as of the end of our most recent fiscal year. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control — Integrated Framework. Based on such assessment, management concluded that, as of March 31, 2011, our internal control over financial reporting is effective based on that criteria.

This annual report does not include an attestation report of our registered, independent public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Year ended March 31, 2011 compared to year ended March 31, 2010

During the year ended March 31, 2011, sales, costs of goods sold and gross profit increased \$66,577,322, \$54,194,338 and \$12,382,984, respectively, from the comparable amounts recorded during the year ended March 31, 2010. The increase in sales was related primarily to a substantial increase in tons sold which increased from approximately 107,000 tons in fiscal 2010 to approximately 175,000 tons in fiscal 2011. Also, the average per ton selling price increased from approximately \$606 per ton in fiscal 2010 to \$751 per ton in fiscal 2011. The increase in costs of goods sold was related primarily to the increase in tons sold and an increase in average per ton cost which increased from approximately \$560 per ton in fiscal 2010 to \$652 in fiscal 2011. Gross profit benefited from the sales increase as well as a significant increase in gross margins. Gross profit as a percentage of sales increased from approximately 7.6% in fiscal 2010 to approximately 13.1% in fiscal 2011. During fiscal 2010, the Company experienced a significant economic downturn in the U.S. economy and the Company's operations were adversely affected by extremely soft market conditions for durable goods and energy related products. In fiscal 2011, the Company experienced improved market conditions for its tubular products but market demand for coil products remained somewhat soft. Accordingly, the improvement in results of operations during fiscal 2011 was related primarily to the tubular product segment of the Company.

Coil product segment sales increased approximately \$25,670,740 during fiscal 2011. This increase resulted primarily from an increase in tons sold and a significant increase in the average selling price. Coil tons sold increased from approximately 63,000 tons in fiscal 2010 to approximately 85,000 tons in fiscal 2011 and the average per ton selling price increased from approximately \$580 per ton in fiscal 2010 to \$732 per ton in fiscal 2011. Operating profit as percentage of coil product sales increased from a loss of approximately 2.3% in fiscal 2010 to a profit of 2.2% in fiscal 2011. Margins earned on sales of coil products were adversely impacted in both fiscal 2010 and 2011 by soft demand. Management believes that market conditions for coil products will not improve until the U.S. economy improves and generates significant improvement in the demand for durable goods.

In August 2008, the Company began operating its coil facility in Decatur, Alabama. This operation produced an operating loss of approximately \$890,000 and \$1,614,000 in fiscal 2011 and 2010, respectively. The Company expects that this facility will continue to produce a loss until demand for coil products improves.

The Decatur facility was struck by a tornado in April 2011. The Company expects that its insurance coverage will cover the resulting damages and income loss and that net costs associated with the tornado will be insignificant.

The Company is primarily dependent on Nucor Steel Company ("NSC") for its supply of coil inventory. In fiscal 2011, NSC continued to supply the Company with steel coils in amounts that were adequate for the Company's purposes. The Company does not currently anticipate any significant change in such supply from NSC. Loss of NSC as a supplier could have a material adverse effect on the Company's business.

Tubular product segment sales increased approximately \$40,906,582 during fiscal 2011. This increase primarily resulted from an increase in tons sold which increased from approximately 45,000 tons in fiscal 2010 to approximately 91,000 tons sold in fiscal 2011. The average per ton selling price of tubular products increased from approximately \$642 per ton in fiscal 2010 to \$768 per ton in fiscal 2011. Tubular product segment operating profits as a percentage of segment sales were approximately 13.0% and 19.2% in fiscal 2010 and 2011, respectively. Our tubular product segment experienced extremely soft market conditions during much of fiscal 2010 as compared to stronger market conditions in fiscal 2011.

Also, since February 2010, the Company has received an increase in orders for finished tubular products from U.S. Steel Tubular Products, Inc. ("USS"), an affiliate of United States Steel Corporation.

In recent years, USS has been the Company's primary supplier of tubular products and coil material used in pipe manufacturing and has been a major customer of finished tubular products. Certain finished tubular products used in the energy business are manufactured by the Company and sold to USS. Beginning in December 2008, USS reduced orders for these finished tubular products. Also, in February 2009, USS announced that it was temporarily idling its plant in Lone Star, Texas, due to weak market conditions. From February 2009 until February 2010, the Company received few orders from USS and a significantly reduced supply of pipe and coil material from USS. During this period, USS reopened its Lone Star facility and since February 2010, the Company has received from USS an increase in orders for finished tubular products and an increase in supply of tubular products and coil material used in the production of pipe. Loss of USS as a supplier or customer could have an adverse effect on the Company's business. The Company can make no assurances as to orders from USS or the amounts of pipe and coil material that will be available from USS in the future.

From February 2009 until February 2010, the Company downsized its tubular division to a level more commensurate with operations. Since February 2010, the Company increased the level of operations of the tubular division to support an increase in production requirements.

During fiscal 2011, general, selling and administrative costs increased \$1,410,991 from the amount recorded in fiscal 2010. This increase was related primarily to increases in bonuses and commissions associated with increased earnings and volume.

Income taxes increased \$3,439,028 from the amount recorded fiscal 2010. This increase was related primarily to the increase in earnings before taxes. Effective tax rates were 32.7% and 44.3% in fiscal 2011 and 2010, respectively. The effective rate for fiscal 2010 was unusually high due to true-up adjustments on prior year filings that were applied to substantially reduced earnings before income taxes in fiscal 2010.

FINANCIAL CONDITION, LIQUIDITY AND SOURCES OF CAPITAL

The Company remained in a strong, liquid position at March 31, 2011. Current ratios were 5.8 and 6.4 at March 31, 2011 and March 31, 2010, respectively. Working capital was \$45,094,969 at March 31, 2011 and \$41,126,841 at March 31, 2010.

During the year ended March 31, 2011, the Company maintained assets and liabilities at levels it believed were commensurate with operations. Changes in balance sheet amounts primarily occurred in the ordinary course of business. Cash decreased primarily as a result of increases in inventories and accounts receivable associated with a general increase in business. In addition, the Company paid to its shareholders a special cash dividend of \$0.50 per share in December 2010. The Company expects to continue to monitor, evaluate and manage balance sheet components depending on changes in market conditions and the Company's operations.

The Company had a credit arrangement with a bank which provided for a revolving line of credit facility (the "revolving facility"). Pursuant to the revolving facility, which expired April 1, 2010, the Company could borrow up to \$10 million at an interest rate of the bank's prime rate or 1.5% over LIBOR. The revolving facility required that the Company maintain a tangible net worth as adjusted of \$36,724,000, maintain a working capital ratio of 2 to 1 and maintain a debt to equity ratio of 1.1 to 1. At March 31, 2010, the Company maintained a tangible net worth of approximately \$56,358,000, a working capital ratio of approximately 6 to 1 and a debt to equity ratio of approximately .15 to 1. No collateral was required pursuant to the revolving facility. The Company used the revolving facility to support cash flows and borrowed and repaid funds as working capital was required. There were no amounts outstanding under the revolving facility at March 31, 2010.

Historically, the Company renewed the revolving facility approximately one year before its expiration date. As a result of the current lending environment and the Company's strong cash position, the Company chose not to renew its revolving facility in fiscal 2010. The Company may in the future seek to reinstate a similar credit facility although it currently has no plans to do so.

The Company has in the past and may in the future borrow funds on a term basis to build or improve facilities. The Company currently has no plans to borrow funds on a term basis.

The Company believes that its current cash position along with cash flows from operations and borrowing capability due to its strong balance sheet are adequate to fund its expected cash requirements for the next 24 months.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

INFLATION

During fiscal 2011 and 2010, the Company believes that the general level of inflation had little effect on its operations.

CRITICAL ACCOUNTING POLICIES

The preparation of consolidated financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. One such accounting policy which requires significant estimates and judgments is the valuation of LIFO inventories in the Company's quarterly reporting. The Company's quarterly valuation of inventory requires estimates of the year end quantities, which is inherently difficult. Historically, these estimates have been materially correct.

FORWARD-LOOKING STATEMENTS

From time to time, the Company may make certain statements that contain "forward-looking" information (as defined in the Private Securities Litigation Reform Act of 1996) and that involve risk and uncertainty. These forward-looking statements may include, but are not limited to, future results of operations, future production capacity, product quality and proposed expansion plans. Forward-looking statements may be made by management orally or in writing, including, but not limited to, this Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of the Company's filings with the Securities and Exchange Commission under the Securities Act of 1933 and the Securities Exchange Act of 1934. Actual results and trends in the future may differ materially depending on a variety of factors, including but not limited to, changes in the demand and prices for the Company's products, changes in the demand for steel and steel products in general and the Company's success in executing its internal operating plans, including any proposed expansion plans.

TEN YEAR FINANCIAL SUMMARY

	Year Ended March 31									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Net sales	\$ 131,709,492	\$ 65,132,170	\$ 206,779,750	\$ 178,785,110	\$ 199,726,619	\$ 181,900,351	\$ 188,022,253	\$ 116,158,567	\$ 106,082,738	\$ 97,817,956
Net earnings	\$ 8,155,637	\$ 652,024	\$ 13,673,406	\$ 4,465,127	\$ 7,018,318(1)	\$ 6,453,888	\$ 6,246,043	\$ 2,535,991	\$ 1,432,017	\$ 940,039
Current assets	\$ 54,562,344	\$ 48,703,119	\$ 42,673,377	\$ 49,422,594	\$ 51,731,369	\$ 47,551,003	\$ 43,498,759	\$ 37,829,701	\$ 34,769,500	\$ 35,806,988
Current liabilities	\$ 9,467,375	\$ 7,576,278	\$ 3,353,013	\$ 14,764,366	\$ 23,266,583	\$ 18,383,193	\$ 14,959,516	\$ 12,639,763	\$ 11,035,388	\$ 10,797,106
Working capital	\$ 45,094,969	\$ 41,126,841	\$ 39,320,364	\$ 34,638,228	\$ 28,464,786	\$ 29,167,810	\$ 28,539,243	\$ 25,189,938	\$ 23,734,112	\$ 25,009,882
Total assets	\$ 69,584,131	\$ 65,031,722	\$ 60,460,064	\$ 66,958,392	\$ 65,871,706	\$ 55,930,889	\$ 50,796,342	\$ 46,028,123	\$ 42,778,926	\$ 43,986,455
Stockholders' equity	\$ 58,802,514	\$ 56,358,410	\$ 56,114,352	\$ 44,956,741	\$ 42,109,998	\$ 37,087,335	\$ 35,354,550	\$ 33,031,604	\$ 31,246,751	\$ 30,491,351
Net earnings as a percent of										
Net sales	6.2	1.0	6.5	2.5	3.5	3.5	3.3	2.2	1.3	1.0
Stockholders' equity	13.9	1.2	24.4	9.9	16.7	17.4	17.7	7.7	4.6	3.1
Weighted average number of common shares outstanding: Basic	6,799,444	6,799,444	6,799,444	6,733,942	6,685,577	7,072,637	7,418,410	7,574,070	7,572,239	7,571,239
Per share										
Net earnings per share:										
Basic	\$ 1.20	\$ 0.10	\$ 2.01	\$ 0.66	\$ 1.05(1)	\$ 0.91	\$ 0.84	\$ 0.33	\$ 0.19	\$ 0.12
Stockholders' equity	\$ 8.65	\$ 8.29	\$ 8.25	\$ 6.68	\$ 6.30	\$ 5.25	\$ 4.77	\$ 4.36	\$ 4.13	\$ 4.03
Cash dividends per common share	\$ 0.84	\$ 0.06	\$ 0.37	\$ 0.27	\$ 0.34	\$ 0.32	\$ 0.29	\$ 0.10	\$ 0.09	\$ 0.11

(1) Includes an after tax gain of \$866,474 (\$.13 per share basic) related to a gain on the sale of assets.

FRIEDMAN INDUSTRIES, INCORPORATED

CODE OF CONDUCT AND ETHICS

It is the policy of Friedman Industries, Incorporated (the "Company") to endeavor to conduct business with the highest standards of honesty and integrity and in compliance with all applicable laws. In view thereof, the Company's Board of Directors has adopted this Code of Conduct and Ethics (the "Code").

In addition to other Company policies, all Company employees, directors and officers are expected to:

- Carry out their duties honestly and with the highest degree of integrity.
- Avoid actual or apparent conflicts of interest between personal and professional relationships.
- Report promptly any transaction or relationship that could compromise one's ability to (i) adhere fully to the Code, other Company policies or applicable laws or (ii) make business decisions without regard to personal gain or benefit.
- Seek, at all times, to provide information to Company officials and its outside professionals (e.g. accountants, counsel, insurance providers, etc.) that is accurate, relevant, complete, objective, timely and understandable, and encourage others within the Company to do the same.
- Use reasonable efforts to assure full, fair, accurate, timely and understandable disclosure of information related to the Company's business and financial operations in Company reports and documents filed with the Securities and Exchange Commission ("SEC") or the American Stock Exchange ("AMEX") or in other public communications made by the Company.
- Use reasonable efforts to cause the Company to comply fully with the letter and spirit of all laws, rules and regulations applicable to the Company or its business.
- Promptly report to the Audit Committee of the Board of Directors (the "Audit Committee") (i) any weakness or deficiency in the design or operation of the Company's internal controls or (ii) any fraud involving Company management or other employees having significant roles in the Company's operations, financial reporting, disclosures or internal controls.

The Board of Directors is responsible for applying and interpreting the Code. Any questions relating to how the Code should be interpreted or applied should be addressed to a supervisor, the Chief Executive Officer, the President or the Senior Vice President-Finance. Any employee, officer or director who becomes aware of any existing or potential violation of laws, rules, regulations or the Code should promptly notify the Chief Executive Officer, the President, the Senior Vice President-Finance or the Chairman of the Audit Committee. Reports may be made orally or in writing and may be made anonymously and will be kept confidential to the extent permitted. Written reports should be sent to the attention of the Chief Executive Officer, the President or the Senior Vice President-Finance, at P.O. Box 21147, Houston, Texas 77226. In addition, reports may be made to the Chairman of the Audit Committee by calling (713) 622-7000 or sent to Three Greenway Plaza, Suite 1750, Houston, TX 77046.

Failure to notify the Chief Executive Officer, the President, the Senior Vice President — Finance or the Chairman of the Audit Committee of any violation or potential violation is itself a violation of the Code. To encourage employees to report any violations, the Company will not allow retaliation for reports made hereunder in good faith. In addition, the Company may not retaliate against any employee for providing information or assisting in the investigation of any law enforcement agency, regulatory agency or other governmental body relating to the Company.

Observance of the provisions of the code is of extreme importance to the Company. A violation of the Code will be regarded as a serious offense and may constitute grounds for disciplinary action, including, but not limited to, demotion, suspension (with or without pay), discharge, or, in the case of directors, removal from the Board of Directors and legal proceedings.

From time to time, the Company may waive some provisions of the Code. Any employee, officer or director who believes that a waiver may be called for should contact the Senior Vice President — Finance. Any waiver of the Code for directors and executive officers of the Company must be approved by the Company's Board of Directors and will be promptly reported in such manner as may be required by the SEC or AMEX.

SUBSIDIARIES

FRIEDMAN/DECATUR, L.L.C.

Alabama Limited Liability Company

100% owned

I, William E. Crow, certify that:

1. I have reviewed this report on Form 10-K of Friedman Industries, Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: June 24, 2011

/s/ WILLIAM E. CROW

Chief Executive Officer and President

I, Ben Harper, certify that:

1. I have reviewed this report on Form 10-K of Friedman Industries, Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: June 24, 2011

/s/ BEN HARPER

Senior Vice President — Finance and
Secretary/Treasurer

**Certification Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to Section 906
of The Sarbanes-Oxley Act of 2002**

Not Filed Pursuant to the Securities Exchange Act of 1934

In connection with the Annual Report of Friedman Industries, Incorporated (the "Company") on Form 10-K for the fiscal year ended March 31, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William E. Crow, Chief Executive Officer and President of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: _____
/s/ WILLIAM E. CROW
Chief Executive Officer and President

Dated: June 24, 2011

**Certification Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to Section 906
of The Sarbanes-Oxley Act of 2002**

Not Filed Pursuant to the Securities Exchange Act of 1934

In connection with the Annual Report of Friedman Industries, Incorporated (the "Company") on Form 10-K for the fiscal year ended March 31, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ben Harper, Senior Vice President-Finance and Secretary/Treasurer for the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: _____
/s/ BEN HARPER
*Senior Vice President — Finance
and Secretary/Treasurer*

Dated: June 24, 2011