

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

FRIEDMAN INDUSTRIES INC

Form: 10-K

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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, 2019
- 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)	74-1504405 (I.R.S. Employer Identification No.)
1121 Judson Road Suite 124, Longview, TX (Address of principal executive offices)	75601 (Zip Code)

Registrant's telephone number, including area code: **(903) 758-3431**

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

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$1 Par Value	FRD	NYSE American

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 every Interactive Data File required to be submitted 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 such files).

Yes X 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, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ()

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 28, 2018 (based upon the closing price on the NYSE American on September 28, 2018) was approximately \$63,706,000.

The number of shares of the registrant's Common Stock outstanding at July 1, 2019 was 6,999,444 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Annual Report to Shareholders of Friedman Industries, Incorporated for the fiscal year ended March 31, 2019 — Part II.

Proxy Statement for the 2019 Annual Meeting of Shareholders of Friedman Industries, Incorporated — Part III.

PART I

Item 1. Business

Friedman Industries, Incorporated (the "Company"), a Texas corporation incorporated in 1965, is a manufacturer and processor of steel products and operates in two reportable segments; coil products and tubular products. Significant financial information relating to the Company's business segments for the last two years is contained in Note 9 of the Consolidated Financial Statements included in the Company's Annual Report to Shareholders for the fiscal year ended March 31, 2019, which financial statements are incorporated herein by reference in Item 8 hereof.

Coil Products

The coil product segment consists of the operation of two hot-roll coil processing facilities; one in Hickman, Arkansas ("Hickman") and the other in Decatur, Alabama ("Decatur"). Each facility operates a temper mill and a cut-to-length line. The temper mill improves the flatness and surface qualities of the coils and the cut-to-length line levels the steel and cuts the coils into sheet and plate of prescribed lengths. Combined, the facilities are capable of cutting sheet and plate with thicknesses ranging from 14 gauge to ½" thick. The coil product segment sells its prime grade inventory under the Friedman Industries name but also maintains an inventory of non-standard coil products, consisting primarily of mill secondary and excess prime coils, which are sold through the Company's XSCP division. The coil product segment also processes customer-owned coils on a fee basis.

The Hickman and Decatur facilities are substantially similar with respect to machinery, equipment and products produced. The Company makes shipments of coil products based on which facility offers the desired product or, if the product is available at both facilities, based on other factors, such as customer location, freight conditions and the ability of the facility to fulfill the order on a timely basis. Coil products are sold on a wholesale, rapid-delivery basis in competition with other processors of hot-rolled steel coils. Shipments are made via unaffiliated truckers or by rail.

The coil segment purchases its inventory from a limited number of suppliers. Loss of any of these suppliers could have a material adverse effect on the Company's business.

Tubular Products

The tubular product segment consists of the Company's Texas Tubular Products division ("TTP") located in Lone Star, Texas. TTP operates two electric resistance welded pipe mills with a combined outside diameter ("OD") size range of 2 3/8" OD to 8 5/8" OD. Both pipe mills are American Petroleum Institute ("API") licensed to manufacture line pipe and oil country pipe and also manufacture pipe for structural purposes that meets other recognized industry standards. TTP has a pipe finishing facility that threads and couples oil country tubular goods and performs other services that are customary in the pipe finishing process. The pipe finishing facility is API licensed and focuses on threading semi-premium connections. TTP's inventory consists of raw materials and finished goods. Raw material inventory consists of hot-rolled steel coils that TTP will manufacture into pipe. Finished goods inventory consists of pipe TTP has manufactured and new mill reject pipe that TTP purchases from U.S. Steel Tubular Products, Inc.

TTP purchases its inventory from a limited number of suppliers. Loss of any of these suppliers could have a material adverse effect on the Company's business.

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:

Product and Service Groups	2019	2018
Coil Products	67%	74%
Tubular Products	33%	26%

Coil Products. The Company sells coil products and processing services to approximately 170 customers located primarily in the midwestern, southwestern and southeastern regions of the United States. The Company's principal customers for these products and services are steel distributors and customers manufacturing steel products such as steel buildings, railroad cars, barges, tanks and containers, trailers, component parts and other fabricated steel products. During the fiscal years ended March 31, 2019 and 2018, sales of coil products to Trinity Industries, Inc. accounted for approximately 21% and 16% of the Company's total sales, respectively.

The Company sells substantially all of its coil products through its own sales force. At March 31, 2019, the sales force was comprised of the Vice President of Sales – Coil Divisions and four professional sales personnel. Sales personnel are paid on a salary and commission basis.

Tubular Products. The Company sells its tubular products nationally to approximately 125 customers. The Company's principal customers for these products are steel and pipe distributors. In fiscal years 2019 and 2018, no individual tubular customer accounted for 10% or more of the Company's total sales.

The Company sells substantially all of its tubular products through its own sales force. At March 31, 2019, the sales force was comprised of the Vice President of Sales – Tubular Division and two professional sales personnel. 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 other processors of hot-rolled steel coils. 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, 2019, the Company had 104 full-time employees and no part-time employees.

Executive Officers of the Company

The following table sets forth as of March 31, 2019, for each executive officer of the Company, the name, age, officer positions and arrangements with other persons regarding his selection as an officer, if any, and the period during which such officer has served in such capacity:

Name	Age	Position, Offices with the Company and Other Arrangements, if any
Michael J. Taylor	60	Interim President and Interim Chief Executive Officer since February 2019; Chairman of the Board of Directors since June 2017; member of the Board of Directors since December 2016
Alex LaRue	33	Chief Financial Officer – Secretary and Treasurer since March 2018; formerly Vice President — Secretary and Treasurer since 2014; formerly Assistant Vice President — Secretary and Treasurer since 2013; formerly Controller — Texas Tubular Products since 2011

Item 1A. Risk Factors

Not required.

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	161,000 sq. feet	Owned(1)
Offices — Texas Tubular Products	12,200 sq. feet	Owned(1)
Land — Texas Tubular Products	122.4 acres	Owned(1)
Longview, Texas		
Offices	2,600 sq. feet	Leased(2)
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	26.2 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 on April 30, 2021, and requires a monthly rental payment by the Company of \$2,728.

Item 3. Legal Proceedings

During fiscal 2019, the Company received settlement proceeds of \$56,500 as a class member of steel antitrust class action litigation brought against certain steel manufacturers in the United States District Court for the Northern District of Illinois. The litigation was initiated by several complaints filed in September and October of 2008 alleging the defendants conspired, in violation of the U.S. antitrust laws, to restrict their output and therefore raise or fix the prices for steel products sold for delivery in the United States between April 1, 2005 and December 31, 2007. The plaintiffs sought monetary and other relief on behalf of themselves and the class. A portion of the defendants reached settlements in 2014 totaling \$163,900,000 and the Company received settlement proceeds of \$316,310 in fiscal 2016 related to this settlement. A settlement was reached with the remaining defendants in February 2017 totaling \$30,000,000 which resulted in the settlement proceeds of \$56,500 received in fiscal 2019. The Company does not expect to receive any additional proceeds from this legal matter and considers it complete.

The Company is not a party to, nor is its property the subject of, any other 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 – American (Symbol: FRD).

Reference is hereby made to the sections of the Company's Annual Report to Shareholders for the fiscal year ended March 31, 2019, 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 April 26, 2019 was 190. Because many of the Company's common shares are held by brokers and other institutions on behalf of shareholders, the Company is unable to estimate the total number of individual shareholders represented by these record holders.

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, 2019, 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, 2019, are hereby incorporated herein by reference:

- Consolidated Balance Sheets — March 31, 2019 and 2018
- Consolidated Statements of Operations — Years ended March 31, 2019 and 2018
- Consolidated Statements of Stockholders' Equity — Years ended March 31, 2019 and 2018
- Consolidated Statements of Cash Flows — Years ended March 31, 2019 and 2018
- 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 11 — 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, 2019.

The following supplementary schedule for the Company for the years ended March 31, 2019 and 2018, 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 U.S. Securities and Exchange Commission (the "SEC") 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, 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 principal financial officer 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 principal financial officer, 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 18 of the Company's Annual Report to Shareholders for the year ended March 31, 2019, which is incorporated herein by reference. This Annual Report on Form 10-K 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 SEC 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, 2019 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, Executive Officers and Corporate Governance

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 2019 Annual Meeting of Shareholders, definitive copies of which are expected to be filed with the SEC on or before 120 days after the end of the Company's 2019 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 Annual Report on Form 10-K.

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 2019 Annual Meeting of Shareholders, definitive copies of which are expected to be filed with the SEC on or before 120 days after the end of the Company's 2019 fiscal year.

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

Equity Compensation Plan Information

The disclosure required pursuant to Item 201(d) of Regulation S-K is hereby incorporated herein by reference from the Company's proxy statement in respect of the 2019 Annual Meeting of Shareholders, definitive copies of which are expected to be filed with the SEC on or before 120 days after the end of the Company's 2019 fiscal year.

Additional information with respect to Item 12 regarding equity compensation plan information relating to the Company is hereby incorporated herein by reference from Note 3 — Equity Compensation Plans and Capital Stock included in the Notes to Consolidated Financial Statements of the Company included in the Company's Annual Report to Shareholders for the fiscal year ended March 31, 2019.

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 2019 Annual Meeting of Shareholders, definitive copies of which are expected to be filed with the SEC on or before 120 days after the end of the Company's 2019 fiscal year.

Item 13. Certain Relationships, Related Transactions and Director Independence

Information with respect to Item 13 is hereby incorporated herein by reference from the Company's proxy statement in respect of the 2019 Annual Meeting of Shareholders, definitive copies of which are expected to be filed with the SEC on or before 120 days after the end of the Company's 2019 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 2019 Annual Meeting of Shareholders, definitive copies of which are expected to be filed with the SEC on or before 120 days after the end of the Company's 2019 fiscal year.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(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, 2019, which is incorporated herein by reference:

- Consolidated Balance Sheets — March 31, 2019 and 2018
- Consolidated Statements of Operations — Years ended March 31, 2019 and 2018
- Consolidated Statements of Stockholders' Equity — Years end March 31, 2019 and 2018
- Consolidated Statements of Cash Flows — Years ended March 31, 2019 and 2018
- 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 SEC 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 (incorporated by reference from Exhibit 3.1 to the Company's Form S-8 filed on December 21, 2016).
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 (incorporated by reference from Exhibit 3.1 to the Company's Form S-8 filed on December 21, 2016).
3.3	— Amended and Restated Bylaws of the Company (incorporated by reference from Exhibit 3.2 to the Company's Form S-8 filed on December 21, 2016).
10.1	— Revolving Line of Credit Loan Agreement, dated December 12, 2018 (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on December 18, 2018).
10.2	— Promissory Note, dated December 12, 2018 (incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on December 18, 2018).
10.3	— Commercial Security Agreement, dated December 12, 2018 (incorporated by reference from Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the SEC on December 18, 2018).
**10.4	— Retirement and Consulting Agreement, dated March 13, 2019.
10.5	— Friedman Industries, Incorporated 2016 Restricted Stock Plan (incorporated by reference from Exhibit 4.2 to the Company's Form S-8 filed on December 21, 2016).
10.6	— Form of Friedman Industries, Incorporated Restricted Stock Award Agreement (incorporated by reference from Exhibit 4.3 to the Company's Form S-8 filed on December 21, 2016).
**13.1	— The Company's Annual Report to Shareholders for the fiscal year ended March 31, 2019.
**14.1	— Friedman Industries, Incorporated Code of Conduct and Ethics.
**21.1	— List of Subsidiaries.
**23.1	— Consent of Moss Adams LLP.
**31.1	— Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed by Michael J. Taylor.
**31.2	— Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed by Alex LaRue.
**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 Michael J. Taylor.
**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 Alex LaRue.
**101.INS	— XBRL Instance Document.
**101.SCH	— XBRL Taxonomy Schema Document.
**101.CAL	— XBRL Calculation Linkbase Document.
**101.DEF	— XBRL Definition Linkbase Document.
**101.LAB	— XBRL Label Linkbase Document.
**101.PRE	— XBRL Presentation Linkbase Document.

** Filed herewith.

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
FRIEDMAN INDUSTRIES, INCORPORATED

Column A	Column B	Column C		Column D	Column E
Description	Balance at Beginning of Period	Additions		Deductions — Describe(B)	Balance at End of Period
		Charged to Costs and Expenses	Charged to Other Accounts — Describe(A)		
Year ended March 31, 2019					
Allowance for doubtful accounts receivable and cash discounts (deducted from related asset account)	\$ 21,052	\$ —	\$ 765,732	\$ 757,606	\$ 29,178
Year ended March 31, 2018					
Allowance for doubtful accounts receivable and cash discounts (deducted from related asset account)	\$ 27,276	\$ —	\$ 425,140	\$ 431,364	\$ 21,052

(A) Allowance for doubtful accounts charged to bad debt expense of \$15,673 and \$0 during fiscal years 2019 and 2018, respectively. Cash discounts allowed on sales and charged against revenue of \$750,059 and \$425,140 during fiscal years 2019 and 2018, respectively.

(B) Accounts receivable written off of \$7,547 and \$1,224 and cash discounts taken on sales of \$750,059 and \$430,140 during fiscal years 2019 and 2018, respectively.

RETIREMENT AND CONSULTING AGREEMENT

This Retirement and Consulting Agreement (this "Agreement") is made and entered by and among Robert Sparkman ("Executive"), and Friedman Industries, Inc. and its affiliated companies, corporations, partnerships, business associations, parents, and subsidiaries (collectively, "Friedman Industries"). Executive understands that in order to receive the consideration set forth herein, he must (i) execute and return to Friedman Industries this Agreement; and (ii) the seven-day revocation period has passed and Executive has not revoked. Executive understands that this Agreement is void *ab initio* if he fails to return the executed Agreement by 5:00 p.m. on March 27, 2019. Executive and Friedman Industries are sometimes referred to herein as a "party" and collectively as the "parties."

RECITALS

WHEREAS, Executive is the Chief Executive Officer executive of Friedman Industries and holds certain other positions with Friedman Industries; and

WHEREAS, the parties now desire to enter into this Agreement for the purpose of providing for the orderly retirement of Executive and securing the future services of Executive as a consultant.

NOW, THEREFORE, in consideration of the promises and mutual agreements set forth in this Agreement, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

RETIREMENT

1. **Retirement.** Executive and Friedman Industries acknowledge and agree:
 - a. This Agreement is effective at 12:01 a.m. of the Effective Date specified in paragraph 22 below.
 - b. Executive's service as a Director and the Chief Executive Officer of Friedman Industries and from all other positions he may hold with Friedman Industries and any of its subsidiaries and affiliates (whether as an officer, manager, director, managing director, employee, or otherwise) ended as of February 12, 2019 pursuant to Executive's written resignation.
 - c. Executive's employment with Friedman Industries shall end on March 31, 2019.
 - d. Friedman Industries' payment to Executive of the amounts described in paragraph 3 of this Agreement is not required by Friedman Industries policies or procedures or by any contractual obligation of Friedman Industries, is new consideration to which Executive was not already otherwise entitled to, and is offered by Friedman Industries solely as consideration for this Agreement.
 - e. This Agreement supersedes and replaces any previously entered employment contracts or agreements between Friedman Industries and Executive.
 - f. For the avoidance of doubt, beginning on the Effective Date, Executive shall be eligible to elect COBRA continuation coverage under the group health insurance plan (medical, dental and vision) of Friedman Industries in which the Executive participated immediately prior to the Effective Date.
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CONSULTING AND COOPERATION

2. Consulting Services. For a period of two (2) years immediately following the Effective Date, Executive agrees to provide consulting services to, and cooperation with, Friedman Industries on an as requested basis. Executive's services shall include, but are not limited to, taking phone calls to answer reasonable questions about Executive's former duties or business matters, locating files and documents, and making himself available to meet with Friedman Industries if necessary. To the extent the Executive has pertinent information, the Executive agrees to cooperate with any internal or external investigation, as well as the prosecution or defense of any claims or disputes brought by or against Friedman Industries, whether administrative, civil or criminal in nature, in which, and to the extent Friedman Industries deems the Executive's cooperation necessary.

CONSIDERATION AND RELEASE

3. Retirement Payments. In consideration of Executive's execution of this Agreement, and his other agreements contained herein, Friedman Industries will pay Executive the following (collectively referred to the "Retirement and Separation Payments"):

a. Cash Payment. Continued payment of Executive's existing base salary until March 31, 2019, less applicable withholdings and deductions in accordance with Friedman Industries' normal payroll practices.

b. Restricted Stock. Friedman Industries shall grant Executive 20,000 shares of restricted stock of Friedman Industries (the "Restricted Shares") pursuant to the Restricted Stock Award Agreement in the form attached hereto as Exhibit A. The Restricted Shares shall vest on the second anniversary of the Effective Date if and only if Executive complies with and does not breach the provisions contained herein as determined by the Board of Directors of Friedman Industries in its sole discretion. Executive acknowledges and agrees that the outstanding grant of 50,000 unvested shares of restricted stock to Executive will expire by its terms upon execution of this Agreement.

c. Executive acknowledges that but for this Agreement he would not otherwise be entitled to the Retirement and Separation Payments and further acknowledges and agrees that the Retirement and Separation Payments are in lieu of any other payments that he would otherwise have been entitled to under any employment agreement or other contract.

4. Executive's Release and Covenant Not to Sue : For and in consideration of the actions by Friedman Industries in paragraph 3 of this Agreement, the receipt and sufficiency of which is hereby acknowledged, Executive hereby irrevocably and unconditionally releases and forever discharges, and covenants not to sue or bring any other legal action against Friedman Industries, with respect to any and all claims and causes of action of any nature, both past and present, known and unknown, foreseen and unforeseen, at law or in equity, which Executive has or which could be asserted on his behalf by any person, government authority, or entity, resulting from or relating to any act or omission of any kind occurring on or before the date of the execution of this Agreement. Executive understands and agrees that this release includes, but is not limited to, the following claims and causes of action resulting from or relating to acts or omissions on or before the date of the execution of this Agreement:

a. All claims and causes of action arising under contract, tort, or other common law, including, without limitation, breach of contract (including, but not limited to, a breach of any employment agreement or other contract that he may have signed during his employment), promissory estoppel, detrimental reliance, wrongful discharge, discrimination on the basis of race, sex, age, national origin, religion, disability or any other characteristic protected under federal or state law, retaliation, failure to accommodate, negligence, gross negligence, negligent hiring, negligent supervision, negligent retention, false imprisonment, assault and battery, intentional infliction of emotional distress, slander, libel, fraud, misrepresentation, and invasion of privacy;

b. All claims and causes of action arising under any federal, state, or local law, regulation, or ordinance, including, without limitation, the Sarbanes-Oxley Act, as amended, Dodd Frank Wall Street Reform and Consumer Protection Act, Title VII of the Civil Rights Act of 1964, as amended, Age Discrimination in Employment Act, as amended, Chapter 21 of the Texas Labor Code, the Employee Retirement Income Security Act of 1974, as amended, the Civil Rights Act of 1991, the Family and Medical Leave Act of 1993, and the Americans with Disabilities Act of 1990, as amended;

c. All claims and causes of action for past or future loss of pay or benefits, expenses, damages for pain and suffering, emotional distress damages, liquidated damages, punitive/exemplary damages, compensatory damages, attorney's fees, interest, court costs, physical or mental injury, damage to reputation, damage to credit, and any other injury, loss, damage or expense or any other legal or equitable remedy of any kind whatsoever; and

d. All claims and causes of action arising out of or in any way connected with, directly or indirectly, Executive's employment with Friedman Industries, including, without limitation, Friedman Industries' treatment of him, the terms and conditions of his employment, the termination of his employment, or the compensation, benefits or payments received or that should have been received during or subsequent to this employment except any future claims relating to COBRA and/or retirement benefits.

e. Executive represents that neither he nor anyone acting for him or on his behalf or at his request has initiated any action, charge, or other proceeding against Friedman Industries or any of its predecessors successors, parents, subsidiaries, affiliates, agents, assigns, representatives or their present or former directors, officers, employees or agents with any federal, state or local court or administrative agency. Executive expressly waives any right to damages or other legal or equitable relief awarded by any governmental agency or court relating to any action, charge, or other proceeding (regardless by whom filed), that is pending or that is filed in the future and which is based on events occurring prior to this Agreement.

f. For the avoidance of doubt, Executive will be entitled to all indemnification rights provided for Friedman Industries' officers and directors liability insurance policy as in effect as of the Effective Date inuring to Executive's benefit as a result of his employment with Friedman Industries (except as may be limited by law). Such indemnification rights shall survive after the Effective Date in accordance with their applicable terms.

NON-COMPETITION AND NON-SOLICITATION AGREEMENT

5. Non-competition and non-solicitation. As an inducement for the parties to enter into this Agreement, the parties hereof agree as follows:

a. For a period of two (2) years immediately following the Effective Date (the "Restricted Period"), Executive agrees that he will not engage in any business directly competitive with the business conducted by Friedman Industries; or render advice or services similar to those provided for Friedman Industries to any other person, association, or entity who is engaged in any business directly competitive with the business conducted by Friedman Industries.

b. Executive and Friedman Industries agree and acknowledge that the limitations as to time, geographical area and scope of activity to be restrained as set forth in this paragraph 5 are reasonable and do not impose any greater restraint than is necessary to protect Friedman Industries and its subsidiaries and affiliates, and their legitimate business interests, including protecting the confidential information provided by Friedman Industries to Executive. Executive and Friedman Industries also acknowledge that money damages would not be sufficient remedy for any breach of this paragraph 5, and Friedman Industries and its subsidiaries and affiliates, as applicable, shall be entitled to enforce the provisions of this paragraph 5 by obtaining specific performance and injunctive relief as remedies for such breach or any threatened breach. Such remedies shall not be deemed the exclusive remedies for a breach of paragraph 5, but shall be in addition to all remedies available at law or in equity, including the recovery of damages from Executive and his agents. Executive and Friedman Industries further acknowledge and agree that, in the event of any breach by Executive of the provisions of this paragraph 5, the Restricted Period shall be extended by the length of such period of breach.

c. For the Restricted Period, Executive agrees he shall not, directly or indirectly, on behalf of himself or another company or entity:

- i. interfere with the relationship of Friedman Industries or any affiliate with, or endeavor to entice away from Friedman Industries or any affiliate, any individual, company, or entity that contracts with or has a business relationship with Friedman Industries or its affiliates;
- ii. establish a business with, or cause or attempt to cause others to establish, a business with, any employee or agent of Friedman Industries or any of its affiliates, if such business is or will compete with Friedman Industries or any of its affiliates; or
- iii. employ, engage as a consultant or adviser, or solicit the employment, engagement as a consultant or adviser, of any employee or agent of Friedman Industries or any of its affiliates, or cause or attempt to cause any individual or entity to do any of the foregoing.

ADDITIONAL PROVISIONS AND COVENANTS

6. Tax Consequences: Executive hereby releases Friedman Industries from, and agrees to assume full responsibility to any federal, state, or local taxing authorities for any tax consequences, by Friedman Industries under paragraph 3 of this Agreement. **Executive COVENANTS AND AGREES TO DEFEND AND INDEMNIFY AND HOLD HARMLESS Friedman Industries FROM AND AGAINST ANY TAXES, FINES, PENALTIES, INTEREST, SUITS, CLAIMS, DEMANDS, LIENS, PROCEEDINGS, AND ANY OTHER LIABILITY ARISING OUT OF SUCH TAX CONSEQUENCES.** Executive acknowledges and agrees that Friedman Industries and its legal counsel have made no representations regarding the proper tax treatment of the payments set out in paragraph 3.

7. IRS Code Section 409A. Executive certifies, acknowledges and agrees that he has been provided the opportunity to consult with legal counsel and that in no event whatsoever shall Friedman Industries be liable for any additional tax, interest or penalty that may be imposed on Executive by Code Section 409A or damages for failing to comply with Code Section 409A in connection with this Agreement.

8. Confidentiality of Agreement. Executive and Friedman Industries agree to keep this Agreement and each of its terms completely confidential; however, any party may disclose the terms of this Agreement to such party's attorneys, accountant, spouse, or as otherwise required by law.

9. Non-Disparagement. Executive agrees not to, directly or indirectly, disclose, communicate, or publish any intentionally negative, harmful, or disapproving information, written communications, oral communications, electronic or magnetic communications, writings, oral or written statements, comments, opinions, facts, or remarks, of any kind or nature whatsoever, concerning or related to Friedman Industries or any of its senior executives, management, or members of the board of trustees, except as required by applicable law. Nothing in this Section is intended to preclude Executive from providing truthful testimony in response to a lawful subpoena or as otherwise required by law.

10. Confidentiality of Company Information. Notwithstanding anything to the contrary in this Agreement, Executive shall continue to abide by his existing confidentiality agreements with and obligations to Friedman Industries, including any confidentiality policies. Confidential information specifically includes information and data known to Executive by virtue of his employment with Friedman Industries and any of its subsidiaries and affiliates, to the extent such information is not otherwise publicly known or available other than as a result of Executive's breach of his confidentiality obligations. Executive acknowledges his obligations not to disclose confidential information.

11. Acknowledgement. Executive acknowledges that he has fully informed himself of the terms, contents, conditions and effects of this Agreement and that, in executing this Agreement, he does not rely and has not relied upon any representation (oral or written) or statement made by Friedman Industries any of its subsidiaries and affiliates, or any of its representatives, including, but not limited to, any representation or statement with regard to the subject matter, basis, or effect of this Agreement. Executive further acknowledges the following: that he has been advised to consult with an attorney prior to executing this Agreement; that he is of sound mind and otherwise competent to execute this Agreement; and that he is entering into this Agreement knowingly and voluntarily and without any undue influence or pressures.

12. Reporting. Nothing in this Agreement shall prohibit Executive from reporting possible violations of federal law or regulation to any governmental agency or entity, including but not limited to the Department of Justice, the Equal Employment Opportunity Commission, the Securities and Exchange Commission, Congress, and any agency Inspector General, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation. Executive further agrees this Agreement does not limit Executive's right to receive an award for information provided to the Securities and Exchange Commission or any other securities regulatory agency or authority. However, Executive represents that he is unaware of any act or omission on his part or the part of Friedman Industries or anyone acting or purporting to act for or on behalf of Friedman Industries that may constitute a violation of any law, nor does he know of any basis on which any third party or governmental entity could assert such a claim.

13. Notices. For purposes of this Agreement, notices and all other communications provided for herein shall be in writing and shall be deemed to have been duly given (a) when received if delivered personally or by courier, (b) on the date receipt is acknowledged if delivered by certified mail, postage prepaid, return receipt requested, or (c) one day after transmission if sent by facsimile transmission or electronic mail with confirmation of transmission, to Michael Taylor, CEO, 1121 Judson Road, Suite 124, Longview, TX 75601.

14. Applicable Law; Arbitration. This Agreement is entered into under, and shall be governed for all purposes by, the laws of the State of Texas, without regard to conflicts of laws principles thereof. Any dispute, controversy or claim arising out of or related to this Agreement or any breach of this Agreement shall be submitted to and decided by binding arbitration to take place in Harris County, Texas. Arbitration shall be administered exclusively by the American Arbitration Association in accordance with its Commercial Arbitration Rules then in affect and shall be conducted consistent with the rules, regulations and requirements thereof as well as any requirements imposed by state law. The American Arbitration Association Commercial Arbitration Rules require all temporary, preliminary, and permanent injunctive or other equitable relief, including, without limitation, specific performance, to be brought in arbitration. Any arbitral award determination shall be final and binding upon the parties.

As the sole exception to the exclusive and binding nature of the arbitration commitment set forth above, the parties agree that Friedman Industries shall have the right to initiate an action in a court of competent jurisdiction located in Harris County, Texas regarding enforceability of this Section. However, nothing in this Section should be construed to constitute a waiver of the parties' rights and obligations to arbitrate.

15. No Waiver. No failure by a party at any time to give notice of any breach by another party of, or to require compliance with, any condition or provision of this Agreement shall be deemed to be a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

16. Severability. If any provision of this Agreement is determined to be invalid or unenforceable, then (a) the invalidity or unenforceability of such provision shall not affect the validity or enforceability of any other provision of this Agreement, and all other provisions shall remain in full force and effect and (b) the provision held to be invalid or unenforceable will be limited or modified in its application to the minimum extent necessary to avoid the invalidity or unenforceability, and, as so limited or modified, the provision and the balance of this Agreement will be enforceable in accordance with its terms.

17. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same Agreement.

18. Headings. The section and paragraph headings in this Agreement have been inserted for purposes of convenience and shall not be used for interpretive purposes.

19. Successors; Assigns. This Agreement shall be binding upon and inure to the benefit of Friedman Industries and any successor or assign thereof. This Agreement is personal to Executive and shall not be assigned by Executive without the explicit written consent of the other parties hereto.

20. Entire Agreement, Amendment, Binding Effect. This Agreement constitutes the entire agreement of the parties with regard to the subject matter hereof. Any amendment to this Agreement must be signed by all parties to this Agreement. This Agreement supersedes (a) any prior agreements between any of the parties concerning the subject matter of this Agreement, and (b) all other agreements between or among the parties, unless specifically modified or incorporated by reference by this Agreement.

21. Injunctive Relief. Each party acknowledges and agrees that the covenants, obligations and agreements of such party contained in this Agreement concern special, unique and extraordinary matters and that a violation of any of the terms of these covenants, obligations or agreements will cause the non-breaching party irreparable injury for which adequate remedies at law are not available. Therefore, each party agrees that all parties to this Agreement will be entitled to an injunction, restraining order, or all other equitable relief (without the requirement to post bond) as an arbitration tribunal may deem necessary or appropriate to restrain such party from committing any violation of the covenants, obligations or agreements referred to in this Agreement in accordance with the Commercial Arbitration Rules then in affect with the American Arbitration Association, including but not limited to Commercial Arbitration Rule 38, Emergency Measures of Protection.

22. Time for Acceptance, Revocation, Effective Date: Executive acknowledges and agrees that he voluntarily and with the advice of counsel agrees to waive any time periods for acceptance. Executive further acknowledges that: (i) he may revoke his acceptance of this Agreement by notifying Friedman Industries in writing (by delivery of written notice to person listed above) within seven (7) days after he signs and returns this Agreement; (ii) if Executive timely revokes his acceptance, he will not be eligible for and will not receive the Retirement and Separation Payments; and (iii) if Executive does not timely revoke his acceptance, this Agreement will become effective and enforceable on the eighth (8th) day after Executive signs and returns this Agreement (the "Effective Date").

[Remainder of Page Intentionally Left Blank; Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year set forth below.

Friedman Industries, Inc.

By: /s/ Michael Taylor
Michael Taylor, CEO
Date: March 13, 2019

/s/ Robert Sparkman
Robert Sparkman
Date: March 13, 2019

Exhibit A

FRIEDMAN INDUSTRIES, INCORPORATED
2016 RESTRICTED STOCK PLAN

RESTRICTED STOCK AWARD AGREEMENT

This **RESTRICTED STOCK AWARD AGREEMENT** (this "**Agreement**") is made by and between Friedman Industries, Incorporated, a Texas corporation (the "**Company**"), and Robert Sparkman (the "**Participant**") effective as of March 13, 2019 (the "**Grant Date**"), pursuant to the Friedman Industries, Incorporated 2016 Restricted Stock Plan (the "**Plan**"), a copy of which previously has been made available to the Participant and the terms and provisions of which are incorporated by reference herein.

WHEREAS, the Company desires to grant to the Participant the shares of the Company's common stock, \$1.00 par value per share, specified herein (the "Shares"), subject to the terms and conditions of this Agreement; and

WHEREAS, the Participant desires to have the opportunity to hold the Shares subject to the terms and conditions of this Agreement.

Now, THEREFORE, in consideration of the premises, mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

1. **Definitions.** For purposes of this Agreement, the following terms shall have the meanings indicated below:

(a) "**Forfeiture Restrictions**" means the prohibitions and restrictions set forth herein with respect to the sale or other disposition of the Shares issued to the Participant hereunder and the obligation to forfeit and surrender such Shares to the Company in accordance with the terms and conditions of the Plan and this Agreement.

(b) "**Period of Restriction**" means the period during which Restricted Shares are subject to Forfeiture Restrictions and during which Restricted Shares may not be sold, assigned, transferred, pledged or otherwise encumbered.

(c) "**Restricted Shares**" means the Shares that are subject to the Forfeiture Restrictions under this Agreement.

Capitalized terms not otherwise defined in this Agreement shall have the meanings given to such terms in the Plan.

2. **Grant of Restricted Shares.** Effective as of the Grant Date, the Company shall cause to be issued in the Participant's name 20,000 shares of the Company's common stock, \$1.00 par value, as Restricted Shares. The Company shall cause certificates or electronic book entries evidencing the Restricted Shares, and any shares of Stock or rights to acquire shares of Stock distributed by the Company in respect of Restricted Shares during any Period of Restriction (the "**Retained Distributions**"), to be issued in the Participant's name. During the Period of Restriction such electronic book entries and certificates shall bear a restrictive legend to the effect that ownership of such Restricted Shares (and any Retained Distributions), and the enjoyment of all rights appurtenant thereto, are subject to the restrictions, terms, and conditions provided in the Plan and this Agreement. The Participant shall have the right to vote the Restricted Shares awarded to the Participant and to receive and retain all regular dividends paid in cash or property (other than Retained Distributions), and to exercise all other rights, powers and privileges of a holder of shares of the Stock, with respect to such Restricted Shares, with the exception that (a) the Participant shall not be entitled to delivery of the stock certificate or certificates or electronic book entries representing such Restricted Shares until the Forfeiture Restrictions applicable thereto shall have expired, (b) the Company shall retain custody of all Retained Distributions made or declared with respect to the Restricted Shares (and such Retained Distributions shall be subject to the same restrictions, terms and conditions as are applicable to the Restricted Shares) until such time, if ever, as the Restricted Shares with respect to which such Retained Distributions shall have been made, paid, or declared shall have become vested, and such Retained Distributions shall not bear interest or be segregated in separate accounts and (c) the Participant may not sell, assign, transfer, pledge, exchange, encumber, or dispose of the Restricted Shares or any Retained Distributions during the Period of Restriction. Upon issuance any certificates shall be delivered to such depository as may be designated by the Compensation Committee as a depository for safekeeping until the forfeiture of such Restricted Shares occurs or the Forfeiture Restrictions lapse, together with stock powers or other instruments of assignment, each endorsed in blank, which will permit transfer to the Company of all or any portion of the Restricted Shares and any securities constituting Retained Distributions which shall be forfeited in accordance with the Plan and this Agreement. In accepting the award set forth in this Agreement the Participant accepts and agrees to be bound by all the terms and conditions of the Plan and this Agreement.

3. Transfer Restrictions. The Shares awarded hereby may not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred, encumbered or disposed of, to the extent then subject to the Forfeiture Restrictions. Any such attempted sale, assignment, pledge, exchange, hypothecation, transfer, encumbrance or disposition in violation of this Agreement shall be void and the Company shall not be bound thereby. Further, the Shares awarded hereby that are no longer subject to Forfeiture Restrictions may not be sold or otherwise disposed of in any manner that would constitute a violation of any applicable securities laws. The Participant also agrees that the Company may (a) refuse to cause the transfer of the Shares to be registered on the applicable stock transfer records of the Company if such proposed transfer would, in the opinion of counsel satisfactory to the Company, constitute a violation of any applicable securities law and (b) give related instructions to the transfer agent, if any, to stop registration of the transfer of the Shares. On or prior to the Grant Date, the Shares granted hereby will be registered with the Securities and Exchange Commission under a Registration Statement on Form S-8. A Prospectus describing the Plan and the Shares is available from the Company.

4. Vesting/Lapse of Period of Restriction. The Restricted Shares awarded hereby are subject to the Forfeiture Restrictions. The Forfeiture Restrictions will lapse as to the Restricted Shares as provided below.

(a) *Vesting in General.* The Forfeiture Restrictions will lapse as to the Restricted Shares that are awarded hereby, and the Participant's right to sell or other dispose of the Restricted Shares shall vest as follows:

100% of the Restricted Shares shall vest on the second anniversary of the Grant Date, provided that Participant has fulfilled all of his obligations under and at no time since the Grant Date breached that certain Retirement and Consulting Agreement by and between Participant and the Company dated as of the Grant Date, in each case as determined by the Company's Board of Directors in its sole discretion.

(b) *Issuance of Shares Upon Vesting.* Upon the lapse of the Forfeiture Restrictions with respect to Shares awarded hereby the Company shall cause to be delivered to the Participant a stock certificate or electronic book entry representing such Shares, and such Shares shall be transferable by the Participant (except to the extent that any proposed transfer would, in the opinion of counsel satisfactory to the Company, constitute a violation of applicable securities law).

5. Capital Adjustments and Reorganizations. The existence of the Restricted Shares shall not affect in any way the right or power of the Company or any company the stock of which is awarded pursuant to this Agreement to make or authorize any adjustment, recapitalization, reorganization or other change in its capital structure or its business, engage in any merger or consolidation, issue any debt or equity securities, dissolve or liquidate, or sell, lease, exchange or otherwise dispose of all or any part of its assets or business, or engage in any other corporate act or proceeding.

6. Tax Withholding. To the extent that the receipt of the Restricted Shares or the lapse of any Forfeiture Restrictions results in income to the Participant for federal, state, local or foreign income, employment or other tax purposes with respect to which the Company or its subsidiaries or any Affiliate has a withholding obligation, the Participant shall deliver to the Company at the time of such receipt or lapse, as the case may be, such amount of money as the Company or its subsidiaries or any Affiliate may require to meet its obligation under applicable tax laws or regulations, and, if the Participant fails to do so, the Company or its subsidiaries or any Affiliate is authorized to withhold from the Shares granted hereby or from any cash or stock remuneration then or thereafter payable to the Participant in any capacity any tax required to be withheld by reason of such resulting income, sufficient to satisfy the withholding obligation. The Company shall have no obligation to deliver a stock certificate or electronic book entry for the Shares granted hereby on lapse of the Forfeiture Restrictions until the Company, a proper subsidiary or other Affiliate has received payment sufficient to cover the withholding tax obligations described in this section.

7. Section 83(b) Election. The Participant shall not exercise the election permitted under section 83(b) of the Internal Revenue Code of 1986, as amended, with respect to the Restricted Shares without the prior written approval of the Chief Financial Officer of the Company. If the Chief Financial Officer of the Company permits the election, the Participant shall timely pay the Company the amount necessary to satisfy the Company's attendant tax withholding obligations, if any.

8. No Fractional Shares. All provisions of this Agreement concern whole shares. If the application of any provision hereunder would yield a fractional share, such fractional share shall be rounded down to the next whole share if it is less than 0.5 and rounded up to the next whole share if it is 0.5 or more.

9. Employment Relationship. For purposes of this Agreement, the Participant shall be considered to be in the employment of the Company and its Affiliates as long as the Participant has an employment relationship with the Company and its Affiliates. The Compensation Committee shall determine any questions as to whether and when there has been a termination of such employment relationship, and the cause of such termination, for purposes of the Plan and the Compensation Committee's determination shall be final and binding on all persons.

10. Not an Employment Agreement. This Agreement is not an employment agreement, and no provision of this Agreement shall be construed or interpreted to create an employment relationship between the Participant and the Company, its subsidiaries or any of its Affiliates, to guarantee the right to remain employed by the Company, its subsidiaries or any of its Affiliates for any specified term or to require the Company, its subsidiaries or any of its Affiliates to employ the Participant for any period of time.

11. Legend. The Participant consents to the placing on the certificate or electronic book entry for the Shares an appropriate legend restricting resale or other transfer of the Shares except in accordance with all applicable securities laws and rules thereunder.

12. Notices. Any notice, instruction, authorization, request, demand or other communications required hereunder shall be in writing, and shall be delivered either by personal delivery, by telecopy or similar facsimile means, by certified or registered mail, return receipt requested, or by courier or delivery service, addressed to the Company at the Company's principal business office and addressed to the attention of the Compensation Committee and to the Participant at the Participant's residential address indicated in the records of the Company, or at such other address and number as a party shall have previously designated by written notice given to the other party in the manner hereinabove set forth. Notices shall be deemed given when received, if sent by facsimile means (confirmation of such receipt by confirmed facsimile transmission being deemed receipt of communications sent by facsimile means); and when delivered (or upon the date of attempted delivery where delivery is refused), if hand-delivered, sent by express courier or delivery service, or sent by certified or registered mail, return receipt requested.

13. **Amendment and Waiver.** Except as otherwise provided herein or in the Plan or as necessary to implement the provisions of the Plan, this Agreement may be amended, modified or superseded only by written instrument executed by the Company and the Participant. Only a written instrument executed and delivered by the party waiving compliance hereof shall waive any of the terms or conditions of this Agreement. Any waiver granted by the Company shall be effective only if executed and delivered by a duly authorized executive officer of the Company other than the Participant. The failure of any party at any time or times to require performance of any provisions hereof shall in no manner affect the right to enforce the same. No waiver by any party of any term or condition, or the breach of any term or condition contained in this Agreement, in one or more instances, shall be construed as a continuing waiver of any such condition or breach, a waiver of any other condition, or the breach of any other term or condition.

14. **Dispute Resolution.** In the event of any difference of opinion concerning the meaning or effect of the Plan or this Agreement, such difference shall be resolved by the Compensation Committee.

15. **Governing Law and Severability.** The validity, construction and performance of this Agreement shall be governed by the laws of the State of Texas, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction. The invalidity of any provision of this Agreement shall not affect any other provision of this Agreement, which shall remain in full force and effect.

16. **Headings.** Headings of Sections are included for convenience of reference only and do not constitute part of this Agreement and shall not be used in construing the terms and provisions of this Agreement.

17. **Gender and Number.** If the context requires, words of one gender when used in this Agreement will include the other genders, and words used in the singular or plural will include the other.

18. **Successors and Assigns.** Subject to the limitations which this Agreement imposes upon the transferability of the Shares awarded hereby, this Agreement shall bind, be enforceable by and inure to the benefit of the Company and its successors and assigns, and the Participant, the Participant's permitted assigns, executors, administrators, agents, legal and personal representatives.

19. **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be an original for all purposes but all of which taken together shall constitute but one and the same instrument.

In WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by an officer thereunto duly authorized, and the Participant has executed this Agreement, all effective as of the date first above written.

FRIEDMAN INDUSTRIES, INCORPORATED

By: /s/ Michael Taylor
Michael Taylor, CEO

PARTICIPANT:

/s/ Robert Sparkman
Name: Robert Sparkman

THE COMPANY'S ANNUAL
REPORT TO SHAREHOLDERS FOR
THE FISCAL YEAR ENDED MARCH 31, 2019





2019
ANNUAL REPORT

FINANCIAL HIGHLIGHTS

	2019	2018 As Adjusted
Net sales	\$ 187,154,493	\$ 121,157,278
Net earnings	\$ 5,099,924	\$ 3,934,101
Net earnings per share (Basic)	\$ 0.73	\$ 0.56
Cash dividends per share	\$ 0.19	\$ 0.05
Stockholders' equity	\$ 72,481,577	\$ 68,575,450
Working capital	\$ 62,091,305	\$ 56,238,771

TO OUR SHAREHOLDERS:

Friedman Industries, Incorporated (the "Company") experienced significant price volatility during fiscal year 2019 caused mainly by the U.S. government's Section 232 steel trade actions that were announced in March of 2018. The price of hot-rolled coil increased steadily during the first half of the fiscal year, peaking in July 2018, and then experienced a significant decline for the remainder of the fiscal year. The Company was effective in capitalizing on opportunities during the rise and managing risks during the fall. The Company's earnings were \$5,099,924 (\$0.73 earnings per diluted share) on sales of \$187,154,493 for fiscal year 2019 compared to earnings of \$3,934,101 (\$0.56 earnings per diluted share) on sales of \$121,157,278 for fiscal year 2018.

The Company's coil segment showed steady demand improvement during fiscal year 2019. Coil segment sales volume increased 7% compared to fiscal year 2018 and operating profits improved from \$5,723,623 for fiscal year 2018 to \$6,414,396 for fiscal year 2019.

The Company's tubular segment experienced steady demand improvement due primarily to the Section 232 steel trade actions and recovery of the U.S. energy complex. Tubular segment sales volume improved by 94% compared to fiscal year 2018. This increase was driven by the tubular segment completing the first full year of marketing its manufactured API line pipe and a focused effort to manage the level of mill reject pipe inventory. Operating profits were \$2,328,871 for fiscal year 2019 compared to \$2,024,035 for fiscal year 2018. Operating profit in fiscal 2019 was negatively impacted by a \$1,723,539 impairment loss related to the segment's pipe threading facility.

At year-end, the company remained in a strong financial position with working capital of \$62,091,305 and a continued focus on managing operational strategies in light of changes in market conditions.

On March 31, 2019, Robert Sparkman and Dale Ray retired from the Company. Mr. Sparkman most recently served as President and Chief Executive Officer but also held several other officer roles during his 39 year career with the Company. Mr. Ray retired from his Vice President role at our Hickman, Arkansas plant and also held various other roles during his 47 year career with the Company. The Company is extremely grateful to Mr. Sparkman and Mr. Ray for their dedicated service and valuable contributions.

With the retirement of Mr. Sparkman, I transitioned into the role of Interim President and Interim Chief Executive Officer while continuing to serve as Chairman of the Board of Directors. I bring to the new role my experiences from 33 years of working in the steel industry, including 12 years serving as President of a large steel processing and distribution business. I know the term "interim" carries some uncertainty. From a Board perspective, we are not actively searching for another President and Chief Executive Officer at the moment. From a management perspective, my primary focus is to thoroughly evaluate the Company's operations to recognize strengths, capitalize on opportunities and mitigate risks. In my short time in a management role, I see a Company with great potential. A Company in strong financial condition that has consistently produced earnings in a challenging cyclical and competitive industry. A Company that, with its 190th consecutive cash dividend declared in June 2019, has paid a cash dividend every quarter since becoming publicly traded in 1972. Friedman does a lot of things "right" but there are also areas for improvement that we are actively working to address. It is my pleasure to write to you as a member of management and I thank you for your investment in the Company.

You are invited to attend the Annual Meeting of Shareholders scheduled to start at 10:00 a.m. (Central Time) on Thursday, September 12, 2019, in the offices of Norton Rose Fulbright US LLP, 1301 McKinney, 51st Floor, Houston, Texas 77010.

Sincerely,



Michael J. Taylor
Interim President and Interim Chief Executive Officer
Chairman of the Board of Directors

OFFICERS

Michael J. Taylor
Interim President and Interim Chief Executive Officer

Howard Henderson
Vice President of Operations — Texas Tubular Division

Jonathan Holcomb
Vice President of Sales — Coil Divisions

Alex LaRue
Chief Financial Officer — Secretary and Treasurer

Robert McCain
Vice President — Decatur Facility

Steve Teeter
Vice President — Hickman Facility

Michael Thompson
Vice President of Sales — Tubular Division

Charles W. Hall
Assistant Secretary

COMPANY OFFICES AND WEBSITES

CORPORATE OFFICE & COIL PRODUCTS SALES OFFICE
1121 Judson Road, Suite 124
Longview, Texas 75601
903-758-3431

TUBULAR PRODUCTS SALES OFFICE
3681 FM 250
Lone Star, Texas 75668
903-639-2511

WEBSITES*
www.friedmanindustries.com
www.texastubular.com

COUNSEL
Norton Rose Fulbright US LLP
1301 McKinney, Suite 5100
Houston, Texas 77010

AUDITORS
Moss Adams LLP
500 Dallas Street, Suite 2500
Houston, TX 77002

TRANSFER AGENT AND REGISTRAR
American Stock Transfer & Trust Company, LLC
6201 15th Avenue
Brooklyn, NY 11219

* Information on our websites is expressly not incorporated by reference into this document.

DIRECTORS

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

Charles W. Hall
Of Counsel, Norton Rose Fulbright US LLP (law firm)
Houston, Texas

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

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

Michael J. Taylor, *Chairman of the Board*
Interim President and Interim Chief Executive Officer of the Company
Houston, Texas

Joe L. Williams
Partner, Pozmantier, Williams and Stone 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, 2019 as filed with the U.S. Securities and Exchange Commission. Written requests should be addressed to: Alex LaRue, Chief Financial Officer — Secretary and Treasurer, Friedman Industries, Incorporated, P.O. Box 2192, Longview, Texas 75606.

DESCRIPTION OF BUSINESS

Friedman Industries, Incorporated (the "Company") is a manufacturer and processor of steel products and operates in two product segments: coil products and tubular products.

Coil Products

The coil product segment consists of the operation of two hot-roll coil processing facilities; one in Hickman, Arkansas ("Hickman") and the other in Decatur, Alabama ("Decatur"). Each facility operates a temper mill and a cut-to-length line. The temper mill improves the flatness and surface qualities of the coils and the cut-to-length line levels the steel and cuts the coils into sheet and plate of prescribed lengths. Combined, the facilities are capable of cutting sheet and plate with thicknesses ranging from 14 gauge to ½" thick. The coil product segment sells its prime grade inventory under the Friedman Industries name but also maintains an inventory of non-standard coil products, consisting primarily of mill secondary and excess prime coils, which are sold through the Company's XSCP division. The coil product segment also processes customer-owned coils on a fee basis.

The Hickman and Decatur facilities are substantially similar with respect to machinery, equipment and products produced. The Company makes shipments of coil products based on which facility offers the desired product or, if the product is available at both facilities, based on other factors, such as customer location, freight conditions and the ability of the facility to fulfill the order on a timely basis. Coil products are sold on a wholesale, rapid-delivery basis in competition with other processors of hot-rolled steel coils. Shipments are made via unaffiliated truckers or by rail.

The coil product segment purchases its inventory from a limited number of suppliers. Loss of any of these suppliers could have a material adverse effect on the Company's business.

The Company sells coil products and processing services to approximately 170 customers located primarily in the midwestern, southwestern and southeastern regions of the United States. The Company's principal customers for these products and services are steel distributors and customers manufacturing steel products such as steel buildings, railroad cars, barges, tanks and containers, trailers, component parts and other fabricated steel products.

Tubular Products

The tubular product segment consists of the Company's Texas Tubular Products division ("TTP") located in Lone Star, Texas. TTP operates two electric resistance welded pipe mills with a combined outside diameter ("OD") size range of 2 3/8" OD to 8 5/8" OD. Both pipe mills are American Petroleum Institute ("API") licensed to manufacture line pipe and oil country pipe and also manufacture pipe for structural purposes that meets other recognized industry standards. TTP has a pipe finishing facility that threads and couples oil country tubular goods and performs other services that are customary in the pipe finishing process. The pipe finishing facility is API licensed and focuses on threading semi-premium connections. TTP's inventory consists of raw materials and finished goods. Raw material inventory consists of hot-rolled steel coils that TTP will manufacture into pipe. Finished goods inventory consists of pipe TTP has manufactured and new mill reject pipe that TTP purchases from U.S. Steel Tubular Products, Inc.

The Company sells its tubular products nationally to approximately 125 customers. The Company's principal customers for these products are steel and pipe distributors.

TTP purchases its inventory from a limited number of suppliers. Loss of any of these suppliers could have a material adverse effect on the Company's business.

Significant financial information relating to the Company's two product groups, coil and tubular products, is contained in Note 9 of the Notes to the Company's Consolidated Financial Statements appearing herein.

RANGE OF HIGH AND LOW SALES PRICES OF COMMON STOCK

	Fiscal 2019		Fiscal 2018	
	High	Low	High	Low
First Quarter	\$ 10.22	\$ 5.55	\$ 6.80	\$ 5.05
Second Quarter	11.47	8.17	6.15	5.18
Third Quarter	9.70	6.23	6.22	5.15
Fourth Quarter	8.48	6.69	6.79	5.24

CASH DIVIDENDS DECLARED PER SHARE OF COMMON STOCK

	Fiscal 2019	Fiscal 2018
First Quarter	\$.03	\$.01
Second Quarter	.06	.01
Third Quarter	.06	.01
Fourth Quarter	.04	.02

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

The approximate number of shareholders of record of Common Stock of the Company as of April 26, 2019 was 190. Because many of the Company's common shares are held by brokers and other institutions on behalf of shareholders, the Company is unable to estimate the total number of individual shareholders represented by these record holders.

CONSOLIDATED BALANCE SHEETS

ASSETS

	March 31	
	2019	2018 As Adjusted
CURRENT ASSETS:		
Cash	\$ 11,667,161	\$ 4,052,582
Accounts receivable, net of allowances for bad debts and cash discounts of \$29,178 and \$21,052 at March 31, 2019 and 2018, respectively	13,183,411	17,458,289
Inventories	49,062,086	45,329,434
Other	543,549	429,101
TOTAL CURRENT ASSETS	74,456,207	67,269,406
PROPERTY, PLANT AND EQUIPMENT:		
Land	1,452,799	1,452,799
Buildings and yard improvements	8,821,253	8,710,958
Machinery and equipment	38,176,497	39,282,944
Less accumulated depreciation	(36,540,591)	(35,280,700)
	11,909,958	14,166,001
OTHER ASSETS:		
Cash value of officers' life insurance and other assets	235,817	217,900
TOTAL ASSETS	\$ 86,601,982	\$ 81,653,307

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31	
	2019	2018 As Adjusted
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 11,577,664	\$ 10,233,431
Income taxes payable	159,694	—
Dividends payable	279,978	140,189
Contribution to retirement plan	50,250	45,000
Employee compensation and related expenses	297,316	612,015
TOTAL CURRENT LIABILITIES	12,364,902	11,030,635
POSTRETIREMENT BENEFITS OTHER THAN PENSIONS	210,257	175,056
DEFERRED INCOME TAX LIABILITY	1,545,246	1,872,166
TOTAL LIABILITIES	14,120,405	13,077,857
COMMITMENTS AND CONTINGENCIES (SEE NOTE 5 AND NOTE 8)		
STOCKHOLDERS' EQUITY:		
Common stock, par value \$1:		
Authorized shares — 10,000,000		
Issued shares — 8,205,160 shares and 8,185,160 shares at March 31, 2019 and 2018, respectively	8,205,160	8,185,160
Additional paid-in capital	29,322,472	29,154,874
Treasury stock at cost (1,225,716 shares and 1,175,716 shares at March 31, 2019 and 2018, respectively)	(5,525,964)	(5,475,964)
Retained earnings	40,479,909	36,711,380
TOTAL STOCKHOLDERS' EQUITY	72,481,577	68,575,450
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 86,601,982	\$ 81,653,307

See accompanying notes.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended March 31	
	2019	2018 As Adjusted
Net sales	\$ 187,154,493	\$ 121,157,278
Costs and expenses:		
Cost of products sold	174,247,456	111,208,087
Selling, general and administrative	4,782,510	4,181,657
Impairment loss for long-lived assets	1,723,539	—
Interest expense	17,546	27,846
	<u>180,771,051</u>	<u>115,417,590</u>
EARNINGS FROM OPERATIONS	6,383,442	5,739,688
Interest and other income	440,503	24,900
EARNINGS BEFORE INCOME TAXES	6,823,945	5,764,588
Provision for (benefit from) income taxes:		
Current	2,050,941	452,856
Deferred	(326,920)	1,377,631
	<u>1,724,021</u>	<u>1,830,487</u>
NET EARNINGS	\$ 5,099,924	\$ 3,934,101
Weighted average number of common shares outstanding:		
Basic	7,010,266	7,009,444
Diluted	7,010,266	7,009,444
Net earnings per share:		
Basic	\$ 0.73	\$ 0.56
Diluted	\$ 0.73	\$ 0.56

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings
BALANCE AT MARCH 31, 2017	\$ 8,185,160	\$ 28,865,914	\$ (5,475,964)	\$ 28,781,315
Retrospective adjustment for change in accounting principle	—	—	—	4,346,437
Net earnings (as adjusted)	—	—	—	3,934,101
Paid in capital – restricted stock awards	—	288,960	—	—
Cash dividends (\$0.05 per share)	—	—	—	(350,473)
BALANCE AT MARCH 31, 2018 (as adjusted)	\$ 8,185,160	\$ 29,154,874	\$ (5,475,964)	\$ 36,711,380
Net earnings	—	—	—	5,099,924
Forfeiture of restricted stock	—	—	(50,000)	—
Issuance of restricted stock	20,000	—	—	—
Paid in capital – restricted stock awards	—	167,598	—	—
Cash dividends (\$0.19 per share)	—	—	—	(1,331,395)
BALANCE AT MARCH 31, 2019	\$ 8,205,160	\$ 29,322,472	\$ (5,525,964)	\$ 40,479,909

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended March 31	
	2019	2018 As Adjusted
OPERATING ACTIVITIES		
Net earnings	\$ 5,099,924	\$ 3,934,101
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	1,340,492	1,356,347
Impairment loss for long-lived assets	1,723,539	—
Deferred taxes	(326,920)	1,377,631
Compensation expense for restricted stock	137,598	288,960
Change in post-retirement benefits other than pensions	35,201	9,774
Changes in operating assets and liabilities:		
Accounts receivable, net	4,274,878	(8,519,238)
Inventories	(3,732,652)	(4,818,076)
Federal income taxes recoverable	—	913,347
Other	(114,448)	(315,561)
Accounts payable and accrued expenses	1,344,233	8,229,770
Income taxes payable	159,694	414,114
Employee compensation and related expenses	(314,699)	371,180
Contribution to retirement plan	5,250	3,000
Net cash provided by operating activities	<u>9,632,090</u>	<u>3,245,349</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(807,989)	(349,184)
Increase in cash value of officers' life insurance	(17,917)	(24,900)
Net cash used in investing activities	<u>(825,906)</u>	<u>(374,084)</u>
FINANCING ACTIVITIES		
Cash dividends paid	(1,191,605)	(280,378)
Net cash used in financing activities	<u>(1,191,605)</u>	<u>(280,378)</u>
Increase in cash	7,614,579	2,590,887
Cash at beginning of year	4,052,582	1,461,695
Cash at end of year	<u>\$ 11,667,161</u>	<u>\$ 4,052,582</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: Revenue is generated primarily from contracts to manufacture or process steel products and is recognized when performance obligations are complete. Generally, the Company's performance obligations are satisfied, control of our products is transferred, and revenue is recognized at a single point in time, when title transfers to our customer for product shipped or when services are provided. Revenue is recorded in an amount that reflects the consideration expected to be received in exchange for those goods or services. See Note 10 for further information.

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. The balance of the Company's allowance for doubtful accounts was \$14,178 and \$6,052 at March 31, 2019 and March 31, 2018, respectively.

INVENTORIES: Inventories consist of prime coil, non-standard coil and tubular materials. Effective April 1, 2018, the Company changed its method for valuing prime coil inventory of the coil segment from the last-in, first-out ("LIFO") method to the average cost method. The effects of the change in accounting principle from LIFO to average cost have been retrospectively applied to all prior periods presented in all sections of this Annual Report. Prime coil inventory value for both periods presented in the table below are based on average cost valuation. See Note 2 for additional information related to this change in accounting principle. Cost for non-standard coil inventory is determined using the specific identification method. Cost for tubular inventory is determined using the average cost method. All inventories are valued at the lower of cost or net realizable value. 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	
	2019	2018
		As Adjusted
Prime coil inventory	\$ 26,240,439	\$ 14,185,858
Non-standard coil inventory	2,078,008	2,971,324
Tubular raw material	4,418,750	6,734,076
Tubular finished goods	16,324,889	21,438,176
	\$ 49,062,086	\$ 45,329,434

Tubular raw material inventory consists of hot-rolled steel coils that the Company will manufacture into pipe. Tubular finished goods inventory consists of pipe the Company has manufactured and new mill reject pipe that the Company purchases from U.S. Steel Tubular Products, Inc.

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 (in years)	20
Machinery and equipment (in years)	10 to 15
Yard improvements (in years)	5 to 15
Loaders and other rolling stock (in years)	5 to 10

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The Company assesses recoverability by comparing the carrying amount of the asset to estimated undiscounted future cash flows expected to be generated by the asset. If an asset is considered impaired, the impairment loss to be recognized is measured as the amount by which the asset's carrying amount exceeds its estimated fair value. Long-lived assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell.

At March 31, 2019, the Company determined that indicators of impairment were present for the pipe finishing facility due to inconsistent operating results and uncertainty related to future operating expectations. The Company performed an impairment review of the facility's assets and determined the carrying amount of the assets were not recoverable based on estimated undiscounted cash flows. To establish a fair market value of the assets, certain equipment was valued using the market approach, which involves measuring the value of the assets in an open market exchange. The real property and buildings were valued based on a market approach, specifically the sales comparison approach. Remaining assets were valued using the cost approach. As a result of the review, an impairment loss of \$1,723,539 was recognized due to the carrying amount of the assets exceeding their fair value. No impairments were necessary at March 31, 2018.

Maintenance and repairs are expensed as incurred.

POSTRETIREMENT BENEFITS OTHER THAN PENSIONS: The Company maintains life insurance policies on each officer. From time to time and in its discretion, the Board of Directors of the Company has approved the transfer of the applicable policy to an officer upon their retirement. The Company's accrued liability for these potential future transfers was \$210,257 and \$175,056 at March 31, 2019 and March 31, 2018, respectively. The transfer of a life insurance policy to an officer is a noncash transaction.

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

SUPPLEMENTAL CASH FLOW INFORMATION: The Company paid interest of approximately \$17,500 and \$27,900 in fiscal 2019 and 2018, respectively. The Company paid income taxes of approximately \$1,846,000 in fiscal 2019. Net of taxes paid, the Company received federal and state tax refunds totaling approximately \$959,000 in fiscal 2018. In fiscal 2018, there were noncash transactions totaling \$385,000 for the transfer of ownership of life insurance policies from the Company to officers upon their retirement.

INCOME TAXES: The Company accounts for income taxes under the liability method, whereby the Company recognizes 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.

The Company has also analyzed tax positions taken on tax returns filed and does not believe that any are more likely than not to be overturned by the respective tax jurisdiction. Therefore, no liability for uncertain tax positions has been recognized.

USE OF ESTIMATES: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Significant estimates that are subject to the Company's assumptions include the fair value of the pipe-finishing facility, determination of useful lives for fixed assets and determination of the allowance for doubtful accounts. The pipe-finishing facility impairment analysis requires assumptions related to future operations of the facility and estimates related to the replacement cost and value in exchange for the assets. The determination of useful lives for depreciation of fixed assets requires the Company to make assumptions regarding the future productivity of the Company's fixed assets. The allowance for doubtful accounts requires the Company to draw conclusions on the future collectability of the Company's accounts receivable. Actual results could differ from these estimates.

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

EARNINGS PER SHARE: The Company uses the two-class method of calculating earnings per share, which determines earnings per share for each class of common stock and participating security as if all earnings of the period had been distributed. As the holders of restricted stock are entitled to vote and receive dividends during the restriction period, unvested shares of restricted stock qualify as participating securities. Unvested restricted shares participate on an equal basis with common shares; therefore, there is no difference in undistributed earnings allocated to each participating security. Accordingly, unvested restricted shares are included in the basic computation of earnings per share. Net income per basic common share is computed using the weighted average number of common shares and participating securities outstanding during the period. Net income per diluted common share is computed using the weighted average number of common shares, participating securities and potential common shares outstanding during the period.

ECONOMIC RELATIONSHIP: The Company purchases its inventory from a limited number of suppliers. Loss of any of these suppliers could have a material adverse effect on the Company. Coil segment sales to Trinity Industries, Inc. accounted for approximately 21% and 16% of total Company sales in fiscal 2019 and 2018, respectively. No other customers accounted for 10% or more of total sales in the two years ended March 31, 2019. Loss of Trinity as a customer could have a material adverse effect on the Company's business.

The Company's sales are concentrated primarily in the midwestern, southwestern, and southeastern regions 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: In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"). ASU 2014-09 states that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This update also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments, and assets recognized from costs incurred to obtain or fulfill a contract. The update supersedes prior revenue recognition guidance, including industry-specific guidance. Effective April 1, 2018, the Company adopted the new standard through the modified retrospective method applied to those contracts that were not completed as of April 1, 2018 and those contracts initiated on or after April 1, 2018. Results for reporting periods beginning on or after April 1, 2018 are presented under the new standard, while prior period amounts are unadjusted and reported in accordance with historic accounting under the prior guidance. The modified retrospective method requires that the cumulative effect of initially applying the new guidance be recorded as an adjustment to the opening balance of retained earnings in the consolidated balance sheet. The adoption of this new accounting guidance did not have an impact on prior period earnings and no adjustment was recorded to the opening retained earnings balance as of April 1, 2018. The adoption did not have a financial statement impact to the Company but did result in expanded disclosures which are provided in Note 10.

In August 2016, the FASB issued Accounting Standards Update No. 2016-15, Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments ("ASU 2016-15"). ASU 2016-15 eliminates the diversity in practice related to the classification of certain cash receipts and payments in the statement of cash flows by adding or clarifying guidance on eight specific cash flow issues. The Company adopted this new guidance effective April 1, 2018. The adoption of this new guidance did not have a material impact on the Company's consolidated financial statements.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, Leases ("ASU 2016-02"). ASU 2016-02 establishes a new lease accounting standard that requires lessees to recognize a right of use asset and related lease liability for most leases having lease terms of more than 12 months. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases. In July 2018, the FASB issued Accounting Standards Update No. 2018-10, Codification Improvements to Topic 842, Leases, to clarify how to apply certain aspects of the new standard. In July 2018, the FASB also issued Accounting Standards Update No. 2018-11, Leases (Topic 842): Targeted Improvements, to give entities another option for transition and to provide practical expedients to reduce the cost and complexity of implementing the new standard. ASU 2016-02 and all subsequently issued amendments, collectively "ASC 842," is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years.

The Company implemented ASC 842 at the start of the first quarter of the fiscal year ending March 31, 2020 using the optional transition method under which the new standard is applied only to the most current period presented and the cumulative effect of applying the new standard to existing lease agreements is recognized at the date of initial application. The adoption of ASC 842 resulted in the recording of right-of-use lease assets and lease liabilities of approximately \$61,000. The Company implemented the appropriate changes to business processes and controls to support recognition and disclosure under the new standard, including the new qualitative and quantitative disclosures. The Company also elected the package of transition practical expedients related to lease identification, lease classification, and initial direct costs. In addition, the Company made the following accounting policy elections: (1) the Company will not separate lease and non-lease components by class of underlying asset and (2) the Company will apply the short-term lease exemption by class of underlying asset. The Company believes that the adoption of ASC 842 will not materially impact future consolidated results of operations and will have no impact on the Company's future cash flows.

In June 2016, the FASB issued Accounting Standards Update 2016-13, Financial Instruments — Credit Losses (ASC 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). ASU 2016-13 requires, among other things, the use of a new current expected credit loss ("CECL") model in order to determine the allowance for doubtful accounts with respect to accounts receivable. The CECL model requires estimation of lifetime expected credit loss with respect to receivables and recognition of allowances that, when deducted from the balance of the receivables, represent the net amounts expected to be collected. Subsequently, in November 2018, the FASB issued Accounting Standards Update 2018-19, Codification Improvements to Topic 326, Financial Instruments – Credit Losses (ASC 326), which clarifies that impairment of receivables arising from operating leases should be accounted for in accordance with ASC 842, Leases. The new guidance is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2019. The Company is currently evaluating the impact of the new guidance on the consolidated financial statements.

2. CHANGE IN ACCOUNTING PRINCIPLE

Effective April 1, 2018, the Company changed its method for valuing prime coil inventory of the coil segment from the last-in, first-out (“LIFO”) method to the average cost method. The effects of the change in accounting principle from LIFO to average cost have been retrospectively applied to all prior periods presented in all sections of this annual report. The Company believes the average cost method is preferable as it more closely resembles the physical flow of our inventory, it better matches revenues with expenses and it aligns with how we internally manage our business. As a result of the retrospective application of the change in accounting principle, certain financial statement line items in the Company’s consolidated balance sheet as of March 31, 2018, its consolidated statement of operations for the year ended March 31, 2018 and its consolidated statement of cash flows for the year ended March 31, 2018 were adjusted as presented in the table below. In addition, retained earnings as of April 1, 2017 increased \$4,346,437 as a result of the change in accounting principle.

	As Originally Reported	Effect of Change	As Adjusted
Consolidated Statement of Operations, Fiscal Year Ended March 31, 2018			
Cost of goods sold	112,905,381	(1,697,294)	111,208,087
Income tax provision	1,307,890	522,597	1,830,487
Net earnings	2,759,404	1,174,697	3,934,101
Net earnings per share:			
Basic	0.39	0.17	0.56
Diluted	0.39	0.17	0.56
Consolidated Statement of Cash Flows, Fiscal Year Ended March 31, 2018			
Net earnings	2,759,404	1,174,697	3,934,101
Change in inventories	(3,120,782)	(1,697,294)	(4,818,076)
Change in deferred income taxes	1,269,148	108,483	1,377,631
Change in income taxes payable	-	414,114	414,114
Consolidated Balance Sheet, as of March 31, 2018			
Inventories	38,039,332	7,290,102	45,329,434
Deferred income tax liability	103,198	1,768,968	1,872,166
Retained earnings	31,190,246	5,521,134	36,711,380

The following table shows the effect of the change in accounting principle from LIFO to average cost on the results of operations for the fiscal year ended March 31, 2019:

	As Computed Under LIFO	As Computed Under Average Cost	Effect of Change
Consolidated Statement of Operations, Fiscal Year Ended March 31, 2019			
Earnings before income taxes	5,706,951	6,823,945	1,116,994
Income tax provision	1,451,937	1,724,021	272,084
Net earnings	4,255,014	5,099,924	844,910
Net earnings per share:			
Basic	0.61	0.73	0.12
Diluted	0.61	0.73	0.12

3. EQUITY COMPENSATION PLANS AND CAPITAL STOCK

The Company maintains the Friedman Industries, Incorporated 2016 Restricted Stock Plan (the "Plan"). The Plan is administered by the Compensation Committee (the "Committee") of the Board of Directors (the "Board") and continues indefinitely until terminated by the Board or until all shares allowed by the Plan have been awarded and earned. The aggregate number of shares of the Company's Common Stock eligible for award under the Plan is 500,000 shares. Subject to the terms and provisions of the Plan, the Committee may, from time to time, select the employees to whom awards will be granted and shall determine the amount and applicable restrictions of each award. Forfeitures are accounted for upon their occurrence.

The following table summarizes the activity related to restricted stock awards for the year ended March 31, 2019:

	Number of Shares	Weighted Average Grant Date Fair Value Per Share
Unvested at March 31, 2018	210,000	\$ 6.88
Cancelled or forfeited	(50,000)	6.88
Granted	20,000	8.23
Vested	—	—
Unvested at March 31, 2019	180,000	\$ 7.03

Of the 180,000 unvested shares at March 31, 2019, 160,000 shares have five year cliff vesting restrictions with vesting occurring on January 4, 2022 and 20,000 shares have two year cliff vesting restrictions with vesting occurring on March 13, 2021. Compensation expense is recognized over the requisite service period applicable to each award. The Company recorded compensation expense of \$137,598 and \$288,960 in fiscal 2019 and 2018, respectively, relating to the stock awards issued under the Plan. Subsequent to March 31, 2019, restricted stock awards of 20,000 shares total were granted with a grant date fair value of \$7.62 per share and five year cliff vesting restrictions with vesting occurring on April 1, 2024.

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, 2019 or March 31, 2018.

4. DEBT

On December 11, 2018, the Company's \$7,500,000 revolving line of credit facility expired. On December 12, 2018, the Company entered into a loan agreement for a \$5,000,000 revolving line of credit facility (the "Credit Facility") with Citizens National Bank, which changed its name to VeraBank on January 14, 2019 (the "Bank"). The Credit Facility expires on December 12, 2019 and is collateralized by the Company's tubular segment accounts receivable and inventory. Borrowings under the credit facility bear interest at the Bank's prime rate minus 0.55% resulting in an applicable interest rate of 4.95% as of March 31, 2019. Interest payments on amounts advanced are due monthly and principal payments may be made at any time without penalty. All outstanding principal and accrued interest is due upon expiration of the Credit Facility. Access to funds under the Credit Facility is subject to a borrowing base requirement. The borrowing base is calculated as 80% of eligible tubular segment accounts receivable plus 40% of eligible tubular segment inventory. The total amount contributed to the borrowing base by eligible inventory shall not exceed \$3,000,000. At March 31, 2019, the borrowing base calculations would allow the Company access to the full \$5,000,000 available under the Credit Facility. The Credit Facility contains financial covenants that require the Company to not permit: (1) total shareholders' equity to be less than \$50.0 million at any time, (2) total liabilities to exceed 50% of total shareholders' equity at any time and (3) debt service coverage ratio, measured as of the end of each calendar quarter, to be less than 2.00 to 1.00. The debt service coverage ratio is calculated on a trailing twelve month period as the ratio of earnings before interest, taxes, depreciation and amortization (EBITDA) to the sum of interest expense for such period, scheduled principal payments for such period on all indebtedness for money borrowed and capital leases, and the aggregate amount payable during such period under any operating leases. At March 31, 2019, the Company was in compliance with all financial covenants and had no borrowings outstanding under the Credit Facility.

5. COMMITMENTS AND CONTINGENCIES

The Company is obligated under a noncancelable operating lease for its Longview, Texas office space. The lease expires on April 30, 2021 and requires a monthly rental payment by the Company of \$2,728. The following is a schedule of future minimum annual rental payments for the next five years required under this operating lease as of March 31, 2019:

2020	\$	32,736
2021		32,736
2022		2,728
2023		—
2024		—
Total	\$	<u>68,200</u>

Rental expense for leased properties was approximately \$32,736 for both fiscal 2019 and fiscal 2018.

At March 31, 2019, the Company had supply agreements in place with certain suppliers that require the Company to purchase minimum quantities of steel on a monthly basis. All such agreements expire on December 31, 2019. The combined minimum monthly purchase requirements under these agreements fall well below the Company's anticipated monthly steel supply needs. Based on the market price of hot-rolled coil at March 31, 2019, the minimum purchase requirements remaining for April 2019 to December 2019 totaled approximately \$33,165,000.

6. EARNINGS PER SHARE

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

	Year Ended March 31	
	2019	2018 As Adjusted
Basic		
Net earnings	\$ 5,099,924	\$ 3,934,101
Weighted average common shares	<u>7,010,266</u>	<u>7,009,444</u>
Dilutive		
Net earnings	\$ 5,099,924	\$ 3,934,101
Weighted average common shares and common share equivalents	<u>7,010,266</u>	<u>7,009,444</u>

7. INCOME TAXES

Components of tax expense (benefit) are as follows:

	Year Ended March 31	
	2019	2018 As Adjusted
Federal		
Current	\$ 1,738,512	\$ 414,114
Deferred	<u>(312,658)</u>	<u>1,286,556</u>
	1,425,854	1,700,670
State		
Current	312,429	38,742
Deferred	<u>(14,262)</u>	<u>91,075</u>
	298,167	129,817
Total	<u>\$ 1,724,021</u>	<u>\$ 1,830,487</u>

The effective tax rates for fiscal 2019 and fiscal 2018 were impacted by the Tax Cuts and Jobs Act (the "Tax Act"), enacted on December 22, 2017 by the U.S. government. The Tax Act makes broad and complex changes to the U.S. tax code, including, but not limited to, reducing the U.S. federal corporate tax rate and repealing the deduction for domestic production activities.

The Tax Act reduced the federal corporate tax rate applicable to the Company from 34% to 21% effective January 1, 2018. In accordance with Section 15 of the Internal Revenue Code, the Company utilized a blended rate of approximately 30.8% to compute federal tax expense for fiscal 2018. The blended rate is calculated by applying prorated percentages, based on the number of days prior to and subsequent to the January 1, 2018 effective date, to the tax rate applicable for the respective pre and post effective periods. The 21% federal corporate tax rate applies to fiscal 2019 and each year thereafter.

Also on December 22, 2017, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 118 ("SAB 118") to address the application of U.S. GAAP in situations where a registrant does not have the necessary information available, prepared or analyzed in reasonable detail to complete the accounting for certain income tax effects of the Tax Act. SAB 118 allowed companies to record provisional estimates during a measurement period not extending beyond one year from the Tax Act enactment date. As of December 22, 2018, the Company had completed the accounting for all impacts of the Tax Act and there have been no changes to previously recorded amounts.

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

	Year Ended March 31	
	2019	2018 As Adjusted
Income tax expense at U.S. federal statutory rate (1)	21.0%	30.8%
Benefit due to tax reform	—	(2.0)
Current year state and local income taxes net of federal income tax benefit	3.5	3.4
Other	0.8	(0.4)
Provision for income taxes	25.3%	31.8%

(1) The statutory rate for fiscal 2018 is a blended rate due to the Tax Cuts and Jobs Act enacted by the U.S. government on December 22, 2017.

The Company's tax returns may be subject to examination by the Internal Revenue Service for the fiscal years ended March 31, 2016 through March 31, 2018. State and local returns may be subject to examination for fiscal years ended March 31, 2015 through March 31, 2018.

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	
	2019	2018 As Adjusted
Deferred tax liabilities:		
Depreciation	\$ (954,569)	\$ (1,053,139)
LIFO to average cost Section 481(a) adjustment	(903,330)	(1,284,952)
Total deferred tax liabilities	(1,857,899)	(2,338,091)
Deferred tax assets:		
Inventory capitalization	106,856	114,428
Postretirement benefits other than pensions	50,798	36,762
Net operating loss carryforward - Federal	—	184,668
Net operating loss carryforward - State	—	21,507
Other	154,999	108,560
Total deferred tax assets	312,653	465,925
Net deferred tax asset (liability)	\$ (1,545,246)	\$ (1,872,166)

8. RETIREMENT PLAN

The Company maintains the Friedman Industries, Inc. Employees' Retirement and 401(k) Plan (the "Plan"). Employees fully vest in the Plan upon six 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, 2019, and \$162,000 for the year ended March 31, 2018. 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.

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 \$58,500 and \$37,500 for the years ended March 31, 2019 and 2018, respectively.

9. 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. The Company's coil operations involve converting steel coils into flat sheet and plate steel cut to customer specifications and reselling steel coils. Through its tubular operations, 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	
	2019	2018 As Adjusted
NET SALES:		
Coil	\$ 124,555,478	\$ 90,132,804
Tubular	62,599,015	31,024,474
TOTAL NET SALES	\$ 187,154,493	\$ 121,157,278
OPERATING PROFIT:		
Coil	\$ 6,414,396	\$ 5,723,623
Tubular	2,328,871	2,024,035
TOTAL OPERATING PROFIT	8,743,267	7,747,658
General corporate expenses	(2,342,279)	(1,980,124)
Interest expense	(17,546)	(27,846)
Interest and other income	440,503	24,900
TOTAL EARNINGS BEFORE INCOME TAXES	\$ 6,823,945	\$ 5,764,588
IDENTIFIABLE ASSETS:		
Coil	\$ 43,104,205	\$ 34,358,704
Tubular	31,519,755	43,010,190
	74,623,960	77,368,894
General corporate assets	11,978,022	4,284,413
TOTAL ASSETS	\$ 86,601,982	\$ 81,653,307
DEPRECIATION:		
Coil	\$ 551,241	\$ 570,819
Tubular	782,327	779,590
Corporate and other	6,924	5,938
	\$ 1,340,492	\$ 1,356,347
CAPITAL EXPENDITURES:		
Coil	\$ 396,299	\$ 35,720
Tubular	377,400	306,310
Corporate and other	34,290	7,154
	\$ 807,989	\$ 349,184

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, retirement plan contribution expense, corporate insurance expenses, restricted stock plan compensation expense and office supplies. At March 31, 2019 and March 31, 2018, corporate assets consisted primarily of cash and the cash value of officers' life insurance. Although inventory is transferred at cost between product groups, there are no sales between product groups.

10. REVENUE

Revenue is generated primarily from contracts to manufacture or process steel products. Most of the Company's revenue is generated by sales of material out of the Company's inventory but a portion of the Company's revenue is derived from processing of customer owned material. Generally, the Company's performance obligations are satisfied, control of our products is transferred, and revenue is recognized at a single point in time, when title transfers to our customer for product shipped or when services are provided. Revenues are recorded net of any sales incentives. Shipping and other transportation costs charged to customers are treated as fulfillment activities and are recorded in both revenue and cost of sales at the time control is transferred to the customer. Costs related to obtaining sales contracts are incidental and expensed when incurred. Because customers are invoiced at the time title transfers and the Company's rights to consideration are unconditional at that time, the Company does not maintain contract asset balances. Additionally, the Company does not maintain contract liability balances, as performance obligations are satisfied prior to customer payment for product. The Company offers industry standard payment terms.

The Company has two reportable segments: Coil and Tubular. Coil primarily generates revenue from temper passing and cutting to length hot-rolled steel coils. Coil segment revenue consists of three main product types: Prime Coil, Non-Standard Coil and Customer Owned Coil. Tubular primarily generates revenue from the manufacture, distribution and processing of steel pipe. Tubular segment revenue consists of three main product or service types: Manufactured Pipe, Mill Reject Pipe and Pipe Finishing Services. The following table disaggregates our revenue by product for each of our reportable business segments for the fiscal years ended March 31, 2019 and 2018, respectively:

	Fiscal Year Ended March 31,	
	2019	2018
Coil Segment:		
Prime Coil	106,436,452	71,192,758
Non-standard Coil	16,867,632	17,719,898
Customer Owned Coil	1,251,394	1,220,148
	<u>124,555,478</u>	<u>90,132,804</u>
Tubular Segment:		
Manufactured Pipe	45,689,886	21,239,983
Mill Reject Pipe	16,072,129	7,708,697
Pipe Finishing Services	837,000	2,075,794
	<u>62,599,015</u>	<u>31,024,474</u>

11. SUMMARY OF QUARTERLY RESULTS OF OPERATIONS (Unaudited)

The following is a summary of unaudited quarterly results of operations for the years ended March 31, 2019 and 2018:

	Quarter Ended			
	June 30, 2018	September 30, 2018	December 31, 2018	March 31, 2019
Net sales	\$ 48,193,318	\$ 53,432,029	\$ 43,326,080	\$ 42,203,066
Gross profit	6,192,478	3,944,541	1,930,484	839,534
Net earnings (loss)	3,599,893	2,000,916	664,773	(1,165,658)
Basic (1)	.51	.29	.09	(.17)
Diluted (1)	.51	.29	.09	(.17)

	Quarter Ended			
	June 30, 2017 As Adjusted	September 30, 2017 As Adjusted	December 31, 2017 As Adjusted	March 31, 2018 As Adjusted
Net sales	\$ 23,083,269	\$ 26,077,710	\$ 28,033,521	\$ 43,962,778
Gross profit	1,543,310	1,500,411	1,724,534	5,180,936
Net earnings	364,330	395,334	161,271	3,013,166
Basic (1)	.05	.05	.02	.43
Diluted (1)	.05	.05	.02	.43

(1) The sum of the quarterly earnings per share may not equal the annual amount reported due to per share amounts being calculated independently for each quarter.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of
Friedman Industries, Incorporated

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Friedman Industries, Incorporated and subsidiary (the "Company") as of March 31, 2019 and 2018, the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended, and the related notes and schedule (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of March 31, 2019 and 2018, and the consolidated results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company changed its method for valuing prime coil inventory.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ MOSS ADAMS LLP

Houston, Texas
July 1, 2019

We have served as the Company's auditor since 2017.

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, as amended. 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 U.S. generally accepted accounting principles.

Because of its inherent limitations, our 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 (2013). Based on such assessment, management concluded that, as of March 31, 2019, our internal control over financial reporting is effective based on that criteria.

This annual report does not include an attestation report of our independent registered 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 U.S. 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

OVERVIEW

Friedman Industries, Incorporated is a manufacturer and processor of steel products and operates in two reportable segments; coil products and tubular products.

The coil product segment includes the operation of two hot-roll coil processing facilities; one in Hickman, Arkansas and the other in Decatur, Alabama. Each facility operates a temper mill and a cut-to-length line. The temper mill improves the flatness and surface qualities of the coils and the cut-to-length line levels the steel and cuts the coils into sheet and plate of prescribed lengths. Combined, the facilities are capable of cutting sheet and plate with thicknesses ranging from 14 gauge to ½" thick. The coil product segment sells its prime grade inventory under the Friedman Industries name but also maintains an inventory of non-standard coil products, consisting primarily of mill secondary and excess prime coils, which are sold through the Company's XSCP division. The coil product segment also processes customer-owned coils on a fee basis. Effective April 1, 2018, the Company changed the inventory valuation method for the coil segment's prime coil inventory from the LIFO method to the average cost method. The impact of this change in accounting principle to both the current fiscal year and, as applied retrospectively, to the prior fiscal year are disclosed in Note 2 of the consolidated financial statements. Prior period information provided in this Management's Discussion and Analysis has been updated to reflect the retrospective application of the change in accounting principle.

The tubular product segment consists of the Company's Texas Tubular Products division ("TTP") located in Lone Star, Texas. TTP operates two electric resistance welded pipe mills with a combined outside diameter ("OD") size range of 2 3/8" OD to 8 5/8" OD. Both pipe mills are American Petroleum Institute ("API") licensed to manufacture line pipe and oil country pipe and also manufacture pipe for structural purposes that meets other recognized industry standards. TTP has a pipe finishing facility that threads and couples oil country tubular goods and performs other services that are customary in the pipe finishing process. The pipe finishing facility is API licensed and focuses on threading semi-premium connections. TTP's inventory consists of raw materials and finished goods. Raw material inventory consists of hot-rolled steel coils that TTP will manufacture into pipe. Finished goods inventory consists of pipe TTP has manufactured and new mill reject pipe that TTP purchases from U.S. Steel Tubular Products, Inc. ("USS").

RESULTS OF OPERATIONS

Year ended March 31, 2019 compared to year ended March 31, 2018

During the year ended March 31, 2019, sales, costs of goods sold and gross profit increased \$65,997,215, \$63,039,369 and \$2,957,846, respectively, from the comparable amounts recorded during the year ended March 31, 2018. The increase in sales was related to both an increase in tons sold and an increase in the average per ton selling price. Tons sold increased approximately 29% from approximately 176,500 tons in fiscal 2018 to approximately 227,500 tons in fiscal 2019. Discussion of the sales improvement is expanded upon at the segment level in the following paragraphs. Gross profit as a percentage of sales decreased from approximately 8.2% in fiscal 2018 to approximately 6.9% in fiscal 2019.

Fiscal 2019 was impacted by significant volatility of steel prices. Management believes much of this volatility was related to the U.S. government's Section 232 trade actions on steel imports which were implemented in March 2018. In November 2017, steel prices began to rise on speculation of potential trade actions. The rising prices gained momentum in January 2018 when the Commerce Department's recommendations were provided to the Administration. From January 2018, steel prices continued to rise approximately 40% until reaching a peak in July 2018. Prices held near a 10 year high until September 2018 when prices started to decline and continued that downward trend through the remainder of fiscal 2019, dropping approximately 22%.

The Company's fiscal 2019 operating results showed similar volatility with operating profit of approximately \$8,801,000 for the first and second quarters combined and operating profit of approximately \$1,666,000 for the third and fourth quarters combined (excluding the impairment loss recognized during the fourth quarter). Operating results for the first half of fiscal 2019 were further supported by a sustained recovery of the energy industry which then entered a correction and remained soft for the second half of fiscal 2019.

Coil Segment

Coil product segment sales for fiscal 2019 totaled \$124,555,478 compared to \$90,132,804 for fiscal 2018, representing an increase during fiscal 2019 of \$34,422,674 or approximately 38%. For average selling price disclosure, it is helpful to isolate sales generated from processing of customer owned material and sales generated from coil segment inventory. Sales generated from processing of customer owned material totaled \$1,251,394 for fiscal 2019 compared to \$1,220,148 for fiscal 2018. Sales generated from coil segment inventory totaled \$123,304,084 for fiscal 2019 compared to \$88,912,656 for fiscal 2018. The increase in coil segment sales was driven by an increase in tons shipped from inventory and an increase in the average selling price per ton for these shipments. Inventory tons sold increased from approximately 132,000 tons in fiscal 2018 to approximately 141,000 tons in fiscal 2019. The average per ton selling price related to these shipments increased from approximately \$674 per ton in fiscal 2018 to approximately \$873 per ton in fiscal 2019. The improved shipping volume for fiscal 2019 is attributable to increased demand among many of the segment's customers. Management believes the demand improvement was primarily related to the effects of the U.S. government's Section 232 steel trade actions and the general conditions of the steel industry, manufacturing industry and the U.S. economy. Coil segment operations recorded operating profits of approximately \$6,414,000 and \$5,724,000 in fiscal 2019 and fiscal 2018, respectively.

The Company's coil segment purchases its inventory from a limited number of suppliers. Loss of any of these suppliers could have a material adverse effect on the Company's business.

Tubular Segment

Tubular product segment sales for fiscal 2019 totaled \$62,599,015 compared to \$31,024,474 for fiscal 2018, representing an increase during fiscal 2019 of \$31,574,541 or approximately 102%. For a more complete understanding of the average selling prices of goods sold, it is helpful to isolate sales generated from the finishing of customer owned pipe and sales generated from tubular segment inventory. Sales generated from finishing of customer owned pipe totaled \$837,000 for fiscal 2019 compared to \$2,075,794 for fiscal 2018. Sales generated from tubular segment inventory totaled \$61,762,015 for fiscal 2019 compared to \$28,948,680 for fiscal 2018. The increase in tubular segment sales was driven by an increase in tons shipped from inventory and an increase in the average selling price per ton for these shipments. Inventory tons sold increased from approximately 44,500 tons in fiscal 2018 to approximately 86,500 tons in fiscal 2019. The average per ton selling price related to these shipments increased from approximately \$651 per ton in fiscal 2018 to approximately \$714 per ton in fiscal 2019. Tubular segment operations recorded operating profits of approximately \$2,329,000 and \$2,024,000 in the fiscal 2019 and fiscal 2018, respectively.

Management believes the improved tubular results were primarily related to the effects of the U.S. government's Section 232 steel trade actions, U.S. energy industry conditions in the first half of the fiscal year and the segment's new product offering of API line pipe. Late in the third quarter of fiscal 2018, TTP began actively producing, marketing and selling line pipe directly to distributors. Shipments of line pipe during fiscal 2019 totaled approximately 26,000 tons compared to approximately 9,000 tons for fiscal 2018, accounting for approximately 40% of the 42,000 ton increase in total tubular sales volume. Management expects line pipe sales to be a significant component of total tubular segment sales moving forward.

Shipments of mill reject pipe during fiscal 2019 totaled approximately 45,500 tons compared to approximately 20,500 tons during fiscal 2018, accounting for approximately 60% of the 42,000 ton increase in tubular sales volume. The increased shipping volume of mill reject pipe was due to improved demand and a concentrated effort to reduce the level of inventory.

Revenue related to the finishing of customer owned pipe was \$837,000 for fiscal 2019 compared to \$2,075,794 for fiscal 2018. These revenues are generated at the Company's pipe finishing facility that commenced operations in May 2017. The facility is designed to function optimally as a high volume processing facility with a small customer base. Operations at the facility have been sporadic as new customer relationships evolve and due to some fluctuation in the energy industry and the steel industry in general. Due to the inconsistent operating results and uncertainty related to future operating expectations, the Company determined that indicators of impairment were present at March 31, 2019. The Company performed an impairment review of the finishing facility's assets which resulted in an impairment loss of \$1,723,539 being recognized for fiscal 2019. Management continues to cultivate existing customer relationships and seek additional customers that are a strategic fit for the facility. Management will continue to evaluate the long-term operating potential of the facility on a continual basis.

USS has been the primary supplier of new mill reject pipe to the Company. In March 2016, USS announced it was temporarily idling pipe production at its Lone Star Tubular Operations facility due to weak market conditions. In December 2016, USS announced plans to permanently idle its #1 pipe mill at the Lone Star facility. In May 2017, USS resumed production at its Lone Star facility's #2 pipe mill. In February 2019, USS announced plans to restart its Lone Star facility's #1 pipe mill early in their third quarter of 2019. The Company expects the volume and size range of new mill reject pipe supply from USS will be limited until the Lone Star facility's #1 pipe mill resumes production. USS is also a significant customer of the tubular segment's pipe-finishing facility. Loss of USS as a supplier or customer could have a material adverse effect on the Company's business. In general, the tubular segment purchases its inventory from a limited number of suppliers. Loss of any of these suppliers could have a material adverse effect on the Company's business.

General, Selling and Administrative Costs

During fiscal 2019, general, selling and administrative costs increased \$600,853 compared to fiscal 2018. This increase was related primarily to increases in bonuses and commissions associated with the increased earnings and sales volume.

Other Income

Other income for fiscal 2019 increased \$415,603 from the amount recorded in fiscal 2018. This increase was related primarily to a \$56,500 settlement received by the Company as a member of the settlement class related to steel antitrust litigation and \$366,085 of insurance proceeds received related to a forklift that was destroyed by fire. The Company does not expect to receive any additional proceeds related to either of these matters.

Income Taxes

Income taxes for fiscal 2019 decreased \$106,466 from the amount recorded in fiscal 2018 due primarily to effects of the Tax Cuts and Jobs Act (the "Tax Act") that was enacted by the U.S. government on December 22, 2017. The Tax Act reduced the federal corporate tax rate applicable to the Company from 34% to 21% effective January 1, 2018. Pursuant to the Internal Revenue Code, the Company utilized a blended rate of approximately 30.8% to compute federal tax expense for fiscal 2018 compared to use of the new 21% statutory rate for fiscal 2019.

FINANCIAL CONDITION, LIQUIDITY AND SOURCES OF CAPITAL

We believe the Company remained in a strong, liquid position at March 31, 2019. Current ratios were 6.0 and 6.1 at March 31, 2019 and March 31, 2018, respectively. Working capital was \$62,091,305 at March 31, 2019 and \$56,238,771 at March 31, 2018.

During the year ended March 31, 2019, the Company maintained assets and liabilities at levels it believed were commensurate with operations. Changes in balance sheet amounts occurred in the ordinary course of business. Cash increased primarily as a result of operating activities partially offset by purchases of property, plant and equipment and the payment of cash dividends. The Company expects to continue to monitor, evaluate and manage balance sheet components depending on changes in market conditions and the Company's operations.

In December 2018, the Company's \$7,500,000 revolving line of credit facility expired and the Company put into place a new \$5,000,000 revolving line of credit facility (the "Credit Facility") that expires December 12, 2019. Access to funds under the Credit Facility is subject to a borrowing base requirement. The borrowing base is calculated as 80% of eligible tubular segment accounts receivable plus 40% of eligible tubular segment inventory. The total amount contributed to the borrowing base by eligible inventory shall not exceed \$3,000,000. At March 31, 2019 and as of the filing date of the Company's Form 10-K for the fiscal year ended March 31, 2019, the borrowing base calculations would allow the Company access to the full \$5,000,000 available under the Credit Facility. At March 31, 2019 and as of the filing date of the Company's Form 10-K for the fiscal year ended March 31, 2019, the Company had no borrowings outstanding under the Credit Facility and was not in violation of any terms or covenants related to the Credit Facility.

The Company believes that its current cash position along with cash flows from operations and borrowing capability due to its financial position 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 2019 and 2018, the Company believes that the general level of inflation had little effect on its operations.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Significant estimates that are subject to the Company's assumptions include the fair value of the pipe-finishing facility, determination of useful lives for fixed assets and determination of the allowance for doubtful accounts. The pipe-finishing facility impairment analysis requires assumptions related to future operations of the facility and estimates related to the replacement cost and value in exchange for the assets. The determination of useful lives for depreciation of fixed assets requires the Company to make assumptions regarding the future productivity of the Company's fixed assets. The allowance for doubtful accounts requires the Company to draw conclusions on the future collectability of the Company's accounts receivable. Actual results could differ from these estimates.

CAUTIONARY NOTE REGARDING 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, as amended) and that involve risk and uncertainty. Such statements may include those risks disclosed in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of this report. These forward-looking statements may include, but are not limited to, future changes in the Company's financial condition or 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 U.S. Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including the Company's Annual Report on Form 10-K and its other Quarterly Reports on Form 10-Q. Forward-looking statements include those preceded by, followed by or including the words "will," "expect," "intended," "anticipated," "believe," "project," "forecast," "propose," "plan," "estimate," "enable," and similar expressions, including, for example, statements about our business strategy, our industry, our future profitability, growth in the industry sectors we serve, our expectations, beliefs, plans, strategies, objectives, prospects and assumptions, and estimates and projections of future activity and trends in the oil and natural gas industry. These forward-looking statements are not guarantees of future performance. These statements are based on management's expectations that involve a number of business risks and uncertainties, any of which could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. Although forward-looking statements reflect our current beliefs, reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. 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 for and prices of the Company's products, changes in government policy regarding steel, changes in the demand for steel and steel products in general and the Company's success in executing its internal operating plans, changes in and availability of raw materials, unplanned shutdowns of our production facilities due to equipment failures or other issues, increased competition from alternative materials and risks concerning innovation, new technologies, products and increasing customer requirements. Accordingly, undue reliance should not be placed on our forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except to the extent law requires.

TEN YEAR FINANCIAL SUMMARY (Unaudited)

Year Ended March 31

	2018									
	2019	As Adjusted	2017*	2016*	2015*	2014*	2013*	2012*	2011*	2010*
Net sales	\$ 187,154,493	\$ 121,157,278	\$ 77,756,055	\$ 81,631,382	\$ 108,322,780	\$ 116,149,022	\$ 136,448,786	\$ 161,521,993	\$ 131,709,492	\$ 65,132,170
Net earnings (loss)	\$ 5,099,924	\$ 3,934,101	\$ (2,678,684)	\$ 294,000	\$ 382,330	\$ 1,712,926	\$ 6,135,812	\$ 8,150,464	\$ 8,155,637	\$ 652,024
Current assets	\$ 74,456,207	\$ 67,269,406	\$ 45,432,836	\$ 49,701,656	\$ 50,117,355	\$ 59,846,668	\$ 64,283,557	\$ 65,007,891	\$ 54,562,344	\$ 48,703,119
Current liabilities	\$ 12,364,902	\$ 11,030,635	\$ 2,356,590	\$ 2,865,750	\$ 2,651,111	\$ 7,770,689	\$ 12,312,082	\$ 13,853,388	\$ 9,467,375	\$ 7,576,278
Working capital	\$ 62,091,305	\$ 56,238,771	\$ 43,076,246	\$ 46,835,906	\$ 47,466,244	\$ 52,075,979	\$ 51,971,475	\$ 51,154,503	\$ 45,094,969	\$ 41,126,841
Total assets	\$ 86,601,982	\$ 81,653,307	\$ 63,263,297	\$ 66,890,397	\$ 66,958,024	\$ 72,284,399	\$ 76,575,129	\$ 78,570,393	\$ 69,584,131	\$ 65,031,722
Stockholders' equity	\$ 72,481,577	\$ 68,575,450	\$ 60,356,425	\$ 63,239,047	\$ 63,217,025	\$ 63,310,656	\$ 62,957,619	\$ 63,417,268	\$ 58,802,514	\$ 56,358,410
Net earnings (loss) as a percent of										
Net sales	2.7	3.2	(3.4)	0.4	0.4	1.5	4.5	5.0	6.2	1.0
Stockholders' equity	7.0	5.7	(4.4)	0.5	0.6	2.7	9.7	12.9	13.9	1.2
Weighted average number of common shares outstanding:										
Basic	7,010,266	7,009,444	6,851,944	6,799,444	6,799,444	6,799,444	6,799,444	6,799,444	6,799,444	6,799,444
Per share										
Net earnings (loss) per share:										
Basic	\$ 0.73	\$ 0.56	\$ (0.39)	\$ 0.04	\$ 0.06	\$ 0.25	\$ 0.90	\$ 1.20	\$ 1.20	\$ 0.10
Stockholders' equity	\$ 10.34	\$ 9.78	\$ 8.81	\$ 9.30	\$ 9.30	\$ 9.31	\$ 9.26	\$ 9.33	\$ 8.65	\$ 8.29
Cash dividends per common share	\$ 0.19	\$ 0.05	\$ 0.04	\$ 0.04	\$ 0.07	\$ 0.20	\$ 0.97	\$ 0.52	\$ 0.84	\$ 0.06

* The figures for fiscal years 2010 to 2017 have not been adjusted for the change in accounting principle described in Note 2 of the consolidated financial statements. The impact of the change in accounting principle on the aforementioned years has not been quantified by the Company and could be material, therefore, the figures may not be comparable to fiscal years 2019 and 2018.

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 U.S. Securities and Exchange Commission (the "SEC") or the NYSE – American 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 Chief Financial Officer. 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 Chief Financial Officer 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 Chief Financial Officer, at P.O. Box 2192, Longview, Texas 75606. 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 1700, Houston, Texas 77046.

Failure to notify the Chief Executive Officer, the President, the Chief Financial Officer or the Chairman of the Audit Committee of any violation or potential violation is in 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 Chief Financial Officer. 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 NYSE - American.

SUBSIDIARIES

FRIEDMAN/DECATUR, L.L.C.

Alabama Limited Liability Company

100% owned

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-215223) of our report dated July 1, 2019, relating to the consolidated financial statements and schedule of Friedman Industries, Incorporated (which report expresses an unqualified opinion and includes an explanatory paragraph to a change in accounting principle) appearing in this Annual Report (Form 10-K) for the year ended March 31, 2019.

/s/ MOSS ADAMS LLP

Houston, Texas
July 1, 2019

I, Michael J. Taylor, 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: July 1, 2019

/S/ MICHAEL J. TAYLOR

Interim President and Interim Chief Executive Officer

I, Alex LaRue, 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: July 1, 2019

/S/ ALEX LARUE

Chief Financial Officer — Secretary and Treasurer

