SECURITIES & EXCHANGE COMMISSION EDGAR FILING

FRIEDMAN INDUSTRIES INC

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

x Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended March 31, 2006

o Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____

Commission File 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.)
4001 Homestead Road, Houston, Texas (Address of principal executive offices)	**77028** (Zip Code)

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

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

Title of each class	**Name of each exchange on which registered**
Common Stock, $1 Par Value	American Stock Exchange

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

None

Indicate by check mark if the registrant is 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 Exchange 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 Exchange Act during the preceding 12 months and (2) has been subject to the filing requirements for the past 90 days.

Yes _X_ No ___

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

_X_

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

Large accelerated filer ( ) Accelerated filer ( ) Non-accelerated filer (X)

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

Yes ___ No _X_

The aggregate market value of the Common Stock held by non-affiliates of the registrant as of September 30, 2005 (computed by reference to the closing price on such date), was approximately $38,402,000.

The number of shares of the registrant's Common Stock outstanding at June 12, 2006 was 6,666,626 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Annual Report to Shareholders of Friedman Industries, Incorporated for the fiscal year ended March 31, 2006 — Part II.

Proxy Statement for the 2006 Annual Meeting of Shareholders — Part III.

PART I

Item 1. Business

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

The Company has two product groups: coil and tubular products. Significant financial information relating to the Company's product groups for the last three years is contained in Note 7 of the Consolidated Financial Statements included in the Company's Annual Report to Shareholders for the fiscal year ended March 31, 2006, which financial statements are incorporated herein by reference in Item 8 hereof.

Coil Products

The Company purchases hot-rolled steel coils, processes the coils into flat, finished sheet and plate and sells these products on a wholesale, rapid-delivery basis in competition with steel mills, importers and steel service centers. The Company also processes customer-owned coils on a fee basis. The Company has coil processing plants located at Lone Star, Texas and Hickman, Arkansas. At each plant, the steel coils are processed through a cut-to-length line which levels the steel and cuts it to prescribed lengths. The Company's processing machinery is heavy, mill-type equipment capable of processing steel coils weighing up to 25 tons. Coils are processed to the specifications required for a particular order. Shipments are made via unaffiliated truckers or by rail and, in times of normal supply and market conditions, can generally be made within 48 hours of receipt of the customer's order.

At its Lone Star facility, the Company purchases hot-rolled steel coils primarily from Lone Star Steel Company ("LSS"), which is located approximately four miles from the Company's Lone Star plant. The Lone Star plant purchases its supply of steel from LSS and other suppliers at competitive prices determined at the time of purchase. Loss of LSS as a source of coil supply could have an adverse effect on the Company's business.

At the Company's Hickman facility, the Company warehouses and processes hot-rolled steel coils which are purchased primarily from Nucor Steel Company ("NSC"), which is located approximately one-half mile from the Hickman facility. In addition, the Company's XSCP Division located in Hickman purchases and markets non-standard hot-rolled coils received from NSC. Loss of NSC as a source of coil supply could have a material adverse effect on the Company's business.

At the Lone Star facility, the Company maintains three cut-to-length lines and a coil-to-coil 2-Hi temper pass mill. This equipment is capable of processing steel up to 72 inches wide and up to one-half inch thick. The Company intends to close the Lone Star coil facility in fiscal 2007 and to redeploy certain of these assets to a new coil facility to be located in Decatur, Alabama. This Decatur facility is expected to become operational in fiscal 2008. The Hickman facility operates a cut-to-length line which has 72 inch wide and one-half inch thick capability. The Company also operates a 2-Hi temper pass mill at the Hickman facility that is capable of processing steel up to 72 inches wide and one-half inch thick in a coil-to-coil mode or directly from coil to cut-to-length processing.

Tubular Products

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

TTP operates two pipe mills that are capable of producing pipe from $2^{3}/_{8}$ inches to $8^{5}/_{8}$ inches in outside diameter. Pipe Mill #1 is API-licensed to manufacture line and oil country pipe and also manufactures pipe for structural and piling purposes that meets recognized industry standards. Pipe Mill #2 began operation in April 2004 and generally produces pipe that is recognized by various industry standards ranging from $2^{3}/_{8}$ inches to $5^{9}/_{16}$ inches in outside diameter. TTP also employs various pipe processing equipment

including threading and beveling machines, pipe handling equipment and other related machinery. This machinery can process pipe up to 13 3/8 inches in outside diameter.

The Company currently manufactures and sells substantially all of its line and oil country pipe to LSS pursuant to orders received from LSS. In addition, the Company purchases from LSS and markets to others pipe for structural applications for some sizes of pipe that exceed the capability of the TTP pipe mills.

The Company purchases a substantial portion of its annual supply of pipe and coil material used in pipe production from LSS. The Company can make no assurances as to the amounts of pipe and coil material that will be available from LSS in the future. Loss of LSS as a source of supply or as a customer 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 three fiscal years:

Product and Service Groups	2006	2005	2004
Coil Products	52%	55%	54%
Tubular Products	48%	45%	46%

Coil Products. The Company sells coil products to approximately 260 customers located primarily in the midwestern, southwestern and southeastern sections of the United States. The Company's principal customers for these products and services are steel distributors and customers fabricating steel products such as storage tanks, steel buildings, farm machinery and equipment, construction equipment, transportation equipment, conveyors and other similar products. During each of the fiscal years ended March 31, 2006, 2005 and 2004, seven, seven and six customers of coil products, respectively, accounted for approximately 25% of the Company's sales. Except for Trinity Industries, Inc., no coil product customer accounted for as much as 10% of the Company's total sales during those years. Trinity Industries, Inc. accounted for approximately 11% of total sales in fiscal 2006 and 2005.

The Company sells substantially all of its coil products through its own sales force. At March 31, 2006, the sales force was comprised of a vice president and three professional sales personnel under the direction of the Senior Vice President — Sales and Marketing. Salesmen are paid on a salary and commission basis.

Shipments of particular products are made from the facility offering the product desired. If the product is available at more than one facility, other factors such as location of the customer, productive capacity of the facility and activity of the facility enter into the decision regarding shipments. The Company regularly contracts on a quarterly basis with many of its larger customers to supply minimum quantities of steel.

Tubular Products. The Company sells its tubular products nationally to approximately 230 customers. The Company's principal customers for these products are steel and pipe distributors, piling contractors and LSS. Sales of pipe to LSS accounted for approximately 15% of the Company's total sales in fiscal 2006.

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

Competition

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

The Company believes that in times of normal supply and market conditions 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, 2006, the Company had approximately 140 full-time employees.

Executive Officers of the Company

The following table sets forth as of March 31, 2006, the name, age, officer positions and family relationships, if any, of each executive officer of the Company and period during which each officer has served in such capacity:

Name	Age	Position, Offices with the Company and Family Relationships, if any
William E. Crow	58	Chief Executive Officer since 2006 and President and Chief Operating Officer since 1995, formerly Vice President since 1981 and formerly President of Texas Tubular Products Division since August 1990
Benny Harper	60	Senior Vice President — Finance since 1995 (formerly Vice President since 1990), Treasurer since 1980 and Secretary since May 1992
Thomas Thompson	55	Senior Vice President — Sales and Marketing since 1995, formerly Vice President — Sales since 1990

Item 1A. Risk Factors

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

We are dependent on LSS and NSC for our supply of inventory. In recent periods, our Lone Star coil facility ("LSCF") has experienced a lack of supply of coil products from LSS, its primary coil supplier. A further reduction in supply could have an adverse effect on our coil segment operations. NSC continues to supply our Hickman coil facility with steel coils in amounts that are adequate for our purposes. While current levels are adequate to sustain our operations at both Hickman and LSCF, a reduction in the supply of steel coils could have an adverse effect on our coil operations.

LSS is our primary supplier of tubular products and coil material used in pipe manufacturing. While current supply levels are adequate to sustain our tubular operations, a reduction in the supply of tubular products and coil material used in our tubular operations from LSS could have an adverse effect on our tubular operations.

If, for any reason, our primary suppliers of raw materials should curtail or discontinue deliveries to us in quantities we need and at prices that are competitive, our business could suffer. If, in the future, we were unable to obtain sufficient amounts of the necessary metals at competitive prices and on a timely basis from our traditional suppliers, we may not be able to obtain such metals from alternative sources at competitive prices to meet our delivery schedules, which would have a material adverse effect on our business, financial condition or results of operations.

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

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

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

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

We are susceptible to the cyclicality of the steel industry.

The steel industry is highly cyclical and is affected significantly by general economic conditions and other factors such as worldwide production capacity, fluctuations in steel imports/exports and tariffs. Steel prices are sensitive to a number of supply and demand factors. The recurrence of a major downturn in the industry may have a material adverse effect on our business, financial condition or results of operations.

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

As previously announced, we intend to establish a new steel processing and distribution operation in Decatur, Alabama. In addition, we have made improvements to pipe mill #2. Expansion presents risks. We will expend both capital and personnel resources on such expansions which may or may not be successful.

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

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

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

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

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

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

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

We are subject to a broad range of environmental laws and regulations in each of the jurisdictions in which we operate. These laws and regulations, as interpreted by relevant agencies and the courts, impose increasingly stringent environmental protection standards regarding, among other things, air emissions, wastewater storage, treatment and discharges, the use and handling of hazardous or toxic materials, waste disposal practices and the remediation of environmental contamination.

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

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

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

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

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

Product liability claims could adversely affect our operations.

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

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

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

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

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

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

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

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

Location	Approximate Size	Ownership
Lone Star, Texas		
Plant — Coil Products	42,260 sq. feet	Owned(1)(2)
Plant — Texas Tubular Products	76,000 sq. feet	Owned(1)
Offices — Coil Products	1,200 sq. feet	Owned(1)(2)
Offices — Texas Tubular Products	8,000 sq. feet	Owned(1)
Land — Coil Products	13.93 acres	Owned(1)(2)
Land — Texas Tubular Products	67.77 acres	Owned(1)
Longview, Texas Offices	2,600 sq. feet	Leased(3)
Houston, Texas		
Plant and Warehouse	70,000 sq. feet	Owned(1)(4)
Offices	4,000 sq. feet	Owned(1)(4)
Land	12 acres	Owned(1)(4)
Hickman, Arkansas		
Plant and Warehouse — Coil Products	42,600 sq. feet	Owned(1)
Offices — Coil Products	2,500 sq. feet	Owned(1)
Land — Coil Products	26.19 acres	Owned(1)

(1) All of the Company's owned real estate, plants and offices are held in fee and are not subject to any mortgage or deed of trust.

(2) The Company intends to phase out LSCF in fiscal 2007. As LSCF is phased out, these assets will be converted to tubular operations.

(3) The office lease is with a nonaffiliated party, expires April 30, 2008, and provides for an annual rental of $27,264.

(4) In November 2001, the Company closed its coil products facility in Houston, Texas. On April 7, 2006, the Company entered into an earnest money contract to sell these assets. Closing is expected in August 2006. At closing, the Company expects to enter into a one-year office lease with the buyer.

Item 3. Legal Proceedings

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

Item 4. Submission of Matters to a Vote of Security Holders

None.

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 American Stock Exchange (Symbol: FRD).

Reference is hereby made to the sections of the Company's Annual Report to Shareholders for the fiscal year ended March 31, 2006, entitled "Description of Business — Range of High and Low Sales Prices of Common Stock" and "Description of Business — Cash Dividends Declared Per Share of Common Stock", which sections are hereby incorporated herein by reference.

The approximate number of shareholders of record of Common Stock of the Company as of May 26, 2006 was 430.

Item 6. Selected Financial Data

Information with respect to Item 6 is hereby incorporated herein by reference from the section of the Company's Annual Report to Shareholders for the fiscal year ended March 31, 2006, entitled "Selected Financial Data".

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, 2006, entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

In the normal course of business the Company is exposed to market risk primarily from changes in the cost of steel in inventory and in interest rates. The Company closely monitors exposure to market risks and develops appropriate strategies to manage risk. With respect to steel purchases, there is no recognized market to purchase derivative financial instruments to reduce the inventory exposure risk on changing commodity prices. The exposure to market risk associated with interest rates relates primarily to debt. Recent debt balances are minimal and, as a result, direct exposure to interest rates changes is not significant.

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, 2006, are hereby incorporated herein by reference:

Consolidated Balance Sheets — March 31, 2006 and 2005

Consolidated Statements of Earnings — Years ended March 31, 2006, 2005 and 2004

Consolidated Statements of Stockholders' Equity — Years ended March 31, 2006, 2005 and 2004

Consolidated Statements of Cash Flows — Years ended March 31, 2006, 2005 and 2004

Notes to Consolidated Financial Statements — March 31, 2006

Report of Independent Registered Public Accounting Firm

Information with respect to supplementary financial information relating to the Company appears in Note 8 — Summary of Quarterly Results of Operations (Unaudited) of the Notes to Consolidated Financial Statements incorporated herein by reference above in this Item 8 from the Company's Annual Report to Shareholders for the fiscal year ended March 31, 2006.

The following supplementary schedule for the Company for the year ended March 31, 2006, is included elsewhere in this report.

Schedule II — Valuation and Qualifying Accounts

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

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

None

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Controls

There were no changes in the Company's internal control over financial reporting that occurred during the fiscal quarter ended March 31, 2006 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None

PART III

Item 10. Directors and Executive Officers of the Registrant

Except as otherwise set forth below, information with respect to Item 10 is hereby incorporated herein by reference from the Company's proxy statement in respect of the 2006 Annual Meeting of Shareholders, definitive copies of which are expected to be filed with the Securities and Exchange Commission on or before 120 days after the end of the Company's 2006 fiscal year.

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

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

Item 11. Executive Compensation

Information with respect to Item 11 is hereby incorporated herein by reference from the Company's proxy statement in respect of the 2006 Annual Meeting of Shareholders, definitive copies of which are expected to be filed with the Securities and Exchange Commission on or before 120 days after the end of the Company's 2006 fiscal year.

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

Equity Compensation Plan Information

The following table sets forth certain equity compensation plan information for the Company as of March 31, 2006:

Equity Compensation Plan Information

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column(a)) (c)
Equity compensation plans approved by security holders	137,212	$ 2.35	27,293
Equity compensation plans not approved by security holders	N/A	N/A	0

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 2006 Annual Meeting of Shareholders, definitive copies of which are expected to be filed with the Securities and Exchange Commission on or before 120 days after the end of the Company's 2006 fiscal year.

Item 13. Certain Relationships and Related Transactions

Information with respect to Item 13 is hereby incorporated herein by reference from the Company's proxy statement in respect of the 2006 Annual Meeting of Shareholders, definitive copies of which are expected to be filed with the Securities and Exchange Commission on or before 120 days after the end of the Company's 2006 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 2006 Annual Meeting of Shareholders, definitive copies of which are expected to be filed with the Securities and Exchange Commission on or before 120 days after the end of the Company's 2006 fiscal year.

PART IV

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

(a) Documents included in this report

1. Financial Statements

The following financial statements and notes thereto of the Company are included in the Company's Annual Report to Shareholders for the fiscal year ended March 31, 2006, which is incorporated herein by reference.

Consolidated Balance Sheets — March 31, 2006 and 2005

Consolidated Statements of Earnings — Years ended March 31, 2006, 2005 and 2004

Consolidated Statements of Stockholders' Equity — Years end March 31, 2006, 2005 and 2004

Consolidated Statements of Cash Flows — Years ended March 31, 2006, 2005 and 2004

Notes to Consolidated Financial Statements — March 31, 2006

Report of Independent Registered Public Accounting Firm

2. Financial Statement Schedules

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

Schedule II — Valuation and Qualifying Accounts

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

3. Exhibits

Exhibit No.	Description
3.1	— Articles of Incorporation of the Company, as amended (filed as an exhibit to and incorporated by reference from the Company's Annual Report on Form 10-K for the year ended March 31, 1982).
3.2	— Articles of Amendment to the Articles of Incorporation of the Company, as filed with the Texas Secretary of State on September 22, 1987 (filed as an exhibit to and incorporated by reference from the Company's Annual Report on Form 10-K for the year ended March 31, 1988).
3.3	— Amended and Restated By-laws of the Company (incorporated by reference from Exhibit 3.1 to the Company's Current Report on Form 8-K filed on February 8, 2006).
4.1	— Reference is made to Exhibits 10.2, 10.5, 10.6, 10.8, 10.10, 10.11, 10.13 and 10.14 described in this Item 15(a).
*10.1	— Friedman Industries, Incorporated 1989 Incentive Stock Option Plan (filed as an exhibit to and incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1991).
10.2	— Amended and Restated Letter Agreement dated April 1, 1995, between the Company and Texas Commerce Bank National Association ("TCB") regarding an $8,000,000 revolving line of credit (filed as an exhibit to and incorporated by reference from the Company's Annual Report on Form 10-K for the year ended March 31, 1995).
10.3	— Lease Agreement between Judson Plaza, Inc. and the Company dated March 16, 1996, regarding the lease of office space (filed as an exhibit to and incorporated by reference from the Company's Annual Report on Form 10-K for the year ended March 31, 1996).
*10.4	— Friedman Industries, Incorporated 1996 Stock Option Plan (filed as an exhibit to and incorporated by reference from the Company's Annual Report on Form 10-K for the year ended March 31, 1997).

Exhibit No.	Description
10.5	— First Amendment to Amended and Restated Letter Agreement between the Company and TCB dated April 1, 1997 (filed as an exhibit to and incorporated by reference from the Company's Annual Report on Form 10-K for the year ended March 31, 1997).
10.6	— Second Amendment to Amended and Restated Letter Agreement between the Company and TCB dated July 21, 1997 (filed as an exhibit to and incorporated by reference from the Company's Report on Form 10-Q for the three months ended June 30, 1997).
*10.7	— First Amendment to the Friedman Industries, Incorporated 1989 Incentive Stock Option Plan (filed as an exhibit to and incorporated by reference from the Company's Report on Form 10-Q for the three months ended September 30, 1997).
10.8	— Third Amendment to the Amended and Restated Letter Agreement dated April 1, 1999 between the Company and Chase Bank of Texas (filed as an exhibit to and incorporated by reference from the Company's report on Form 10-Q for the three months ended June 30, 1999).
10.9	— Addendum to Lease Agreement between Judson Plaza, Inc. and the Company dated April 12, 2001 (filed as an exhibit to and incorporated by reference from the Company's report on Form 10-Q for the three months ended June 30, 2001).
10.10	— Fourth Amendment to the Amended and Restated Letter Agreement dated June 1, 2001 between The Chase Manhattan Bank and the Company (filed as an exhibit to and incorporated by reference from the Company's report on Form 10-Q for the three months ended June 30, 2001).
10.11	— Fifth Amendment to the Amended and Restated Letter Agreement dated effective as of April 1, 2003 (filed as an exhibit to and incorporated by reference from the Company's report on Form 10-Q for the three months ended June 30, 2003).
10.12	— Agreement dated December 13, 2004, by and between Harold Friedman and the Company (incorporated by reference from Exhibit 10.2 to the Company's current report on Form 8-K filed on December 13, 2004).
10.13	— Sixth Amendment to the Amended and Restated Letter Agreement dated effective as of April 1, 2005 (filed as an exhibit to and incorporated by reference from the Company's report on Form 10-Q for the three months ended June 30, 2005).
10.14	— Revolving Promissory Note dated April 1, 2005 between the Company and J.P. Morgan Chase Bank (filed as an exhibit to and incorporated by reference from the Company's report on Form 10-Q for the three months ended June 30, 2005).
10.15	— Stock Purchase Agreement dated February 8, 2006, by and between Jack Friedman and the Company (incorporated by reference from Exhibit 10.1 to the Company's current report on Form 8-K filed on February 8, 2006).
10.16	— Resignation of Jack Friedman from the Company on February 8, 2006 (incorporated by reference from Exhibit 10.2 to the Company's current report on Form 8-K filed on February 8, 2006).
**13.1	— The Company's Annual Report to Shareholders for the fiscal year ended March 31, 2006.
**14.1	— Friedman Industries, Incorporated Code of Conduct and Ethics.
**21.1	— List of Subsidiaries.
**23.1	— Consent of Independent Registered Public Accounting Firm.
**31.1	— Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed by William E. Crow.

Exhibit No.	Description
**31.2	— Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed by Ben Harper.
**32.1	— Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed by William E. Crow.
**32.2	— Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed by Ben Harper.

* Management contract or compensation plan.

** Filed herewith.

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

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Friedman Industries, Incorporated has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, and State of Texas, this 27th day of June, 2006.

FRIEDMAN INDUSTRIES, INCORPORATED

By: /s/ William E. Crow

William E. Crow
Chief Executive Officer,
President and Chief Operating Officer

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

Signature	Title	Date
/s/ WILLIAM E. CROW William E. Crow	Chief Executive Officer, President and Chief Operating Officer and Director (Principal Executive Officer)	June 27, 2006
/s/ BENNY B. HARPER Benny B. Harper	Senior Vice President — Finance Secretary/Treasurer (Principal Financial and Accounting Officer)	June 27, 2006
/s/ HAROLD FRIEDMAN Harold Friedman	Director	June 27, 2006
/s/ JACK FRIEDMAN Jack Friedman	Director	June 27, 2006
/s/ CHARLES W. HALL Charles W. Hall	Director	June 27, 2006
/s/ ALAN M. RAUCH Alan M. Rauch	Director	June 27, 2006
/s/ HERSHEL M. RICH Hershel M. Rich	Director	June 27, 2006
/s/ KIRK K. WEAVER Kirk K. Weaver	Director	June 27, 2006
/s/ JOE L. WILLIAMS Joe L. Williams	Director	June 27, 2006

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS

FRIEDMAN INDUSTRIES, INCORPORATED

Column A	Column B	Column C		Column D	Column E
		Additions			
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts — Describe(A)	Deductions — Describe(B)	Balance at End of Period
Year ended March 31, 2006					
Allowance for doubtful accounts receivable and cash discounts (deducted from related asset account)	$ 37,276	$ 611	$ 928,683	$ 929,294	$ 37,276
Year ended March 31, 2005					
Allowance for doubtful accounts receivable and cash discounts (deducted from related asset account)	$ 44,776	$ 166,201	$ 808,775	$ 982,476	$ 37,276
Year ended March 31, 2004					
Allowance for doubtful accounts receivable and cash discounts (deducted from related asset account)	$ 7,276	$ 188,508	$ 537,205	$ 688,213	$ 44,776

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

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

EXHIBIT INDEX

Exhibit No.	Description
3.1	— Articles of Incorporation of the Company, as amended (filed as an exhibit to and incorporated by reference from the Company's Annual Report on Form 10-K for the year ended March 31, 1982).
3.2	— Articles of Amendment to the Articles of Incorporation of the Company, as filed with the Texas Secretary of State on September 22, 1987 (filed as an exhibit to and incorporated by reference from the Company's Annual Report on Form 10-K for the year ended March 31, 1988).
3.3	— Amended and Restated By-laws of the Company (incorporated by reference from Exhibit 3.1 to the Company's Current Report on Form 8-K filed on February 8, 2006).
4.1	— Reference is made to Exhibits 10.2, 10.5, 10.6, 10.8, 10.10, 10.11, 10.13 and 10.14 described in this Item 15(a).
*10.1	— Friedman Industries, Incorporated 1989 Incentive Stock Option Plan (filed as an exhibit to and incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1991).
10.2	— Amended and Restated Letter Agreement dated April 1, 1995, between the Company and Texas Commerce Bank National Association ("TCB") regarding an $8,000,000 revolving line of credit (filed as an exhibit to and incorporated by reference from the Company's Annual Report on Form 10-K for the year ended March 31, 1995).
10.3	— Lease Agreement between Judson Plaza, Inc. and the Company dated March 16, 1996, regarding the lease of office space (filed as an exhibit to and incorporated by reference from the Company's Annual Report on Form 10-K for the year ended March 31, 1996).
*10.4	— Friedman Industries, Incorporated 1996 Stock Option Plan (filed as an exhibit to and incorporated by reference from the Company's Annual Report on Form 10-K for the year ended March 31, 1997).
10.5	— First Amendment to Amended and Restated Letter Agreement between the Company and TCB dated April 1, 1997 (filed as an exhibit to and incorporated by reference from the Company's Annual Report on Form 10-K for the year ended March 31, 1997).
10.6	— Second Amendment to Amended and Restated Letter Agreement between the Company and TCB dated July 21, 1997 (filed as an exhibit to and incorporated by reference from the Company's Report on Form 10-Q for the three months ended June 30, 1997).
*10.7	— First Amendment to the Friedman Industries, Incorporated 1989 Incentive Stock Option Plan (filed as an exhibit to and incorporated by reference from the Company's Report on Form 10-Q for the three months ended September 30, 1997).
10.8	— Third Amendment to the Amended and Restated Letter Agreement dated April 1, 1999 between the Company and Chase Bank of Texas (filed as an exhibit to and incorporated by reference from the Company's report on Form 10-Q for the three months ended June 30, 1999).
10.9	— Addendum to Lease Agreement between Judson Plaza, Inc. and the Company dated April 12, 2001 (filed as an exhibit to and incorporated by reference from the Company's report on Form 10-Q for the three months ended June 30, 2001).
10.10	— Fourth Amendment to the Amended and Restated Letter Agreement dated June 1, 2001 between The Chase Manhattan Bank and the Company (filed as an exhibit to and incorporated by reference from the Company's report on Form 10-Q for the three months ended June 30, 2001).
10.11	— Fifth Amendment to the Amended and Restated Letter Agreement dated effective as of April 1, 2003 (filed as an exhibit to and incorporated by reference from the Company's report on Form 10-Q for the three months ended June 30, 2003).
10.12	— Agreement dated December 13, 2004, by and between Harold Friedman and the Company (incorporated by reference from Exhibit 10.2 to the Company's current report on Form 8-K filed on December 13, 2004).

Exhibit No.	Description
10.13	— Sixth Amendment to the Amended and Restated Letter Agreement dated effective as of April 1, 2005 (filed as an exhibit to and incorporated by reference from the Company's report on Form 10-Q for the three months ended June 30, 2005).
10.14	— Revolving Promissory Note dated April 1, 2005 between the Company and J.P. Morgan Chase Bank (filed as an exhibit to and incorporated by reference from the Company's report on Form 10-Q for the three months ended June 30, 2005).
10.15	— Stock Purchase Agreement dated February 8, 2006, by and between Jack Friedman and the Company (incorporated by reference from Exhibit 10.1 to the Company's current report on Form 8-K filed on February 8, 2006).
10.16	— Resignation of Jack Friedman from the Company on February 8, 2006 (incorporated by reference from Exhibit 10.2 to the Company's current report on Form 8-K filed on February 8, 2006).
**13.1	— The Company's Annual Report to Shareholders for the fiscal year ended March 31, 2006.
**14.1	— Friedman Industries, Incorporated Code of Conduct and Ethics.
**21.1	— List of Subsidiaries.
**23.1	— Consent of Independent Registered Public Accounting Firm.
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** Filed herewith.

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EXHIBIT 13.1

THE COMPANY'S ANNUAL
REPORT TO SHAREHOLDERS FOR
THE FISCAL YEAR ENDED MARCH 31, 2006

FRIEDMAN INDUSTRIES INCORPORATED

2006 ANNUAL REPORT

FINANCIAL HIGHLIGHTS

	2006	2005
Net sales	**$181,900,351**	$188,022,253
Net earnings	**$6,453,888**	$6,246,043
Net earnings per share (Basic)	**$0.91**	$0.84
Cash dividends per share	**$0.32**	$0.29
Stockholders' equity	**$37,097,335**	$35,354,550
Working capital	**$29,167,810**	$28,539,243

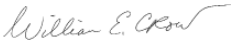
TO OUR SHAREHOLDERS:

As reflected in the financial highlights above, the Company experienced another successful year. In management's opinion, a strong U.S. economy for durable goods supported strong market conditions for the Company's products and services in fiscal 2006.

Management is pleased to announce expansion of operations on several fronts. The pipe mill which began operation in April 2004 has been upgraded substantially in the past year. This pipe mill is now capable of running pipe that is recognized by various industry standards ranging from $2^{3}/_{8}$" to $5^{9}/_{16}$" in outside diameter. In addition, the Company intends to phase out the Lone Star coil facility and redeploy certain of these assets to a new coil operation in Decatur, Alabama. This facility will be located near Nucor Steel Company and will initially operate a hot roll steel temper mill and a cut-to-length and leveling line. The Company expects the Decatur facility to become operational in fiscal 2008.

You are invited to attend the Annual Meeting of Shareholders scheduled to start at 11 a.m. CST, on Thursday, September 7, 2006, in the offices of Fulbright & Jaworski L.L.P., 1301 McKinney, Houston, Texas.

Sincerely,



William E. Crow
Chief Executive Officer, President and
Chief Operating Officer

OFFICERS

William E. Crow
Chief Executive Officer,
President and Chief Operating Officer

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

Thomas N. Thompson
Senior Vice President — Sales and Marketing

Ronald L. Burgerson
Vice President

Dale Ray
Vice President

Howard Henderson
Vice President of Operations — Texas Tubular Division

Robert Sparkman
Vice President of Sales — Coil Divisions

Charles W. Hall
Assistant Secretary

COMPANY OFFICES AND WEB SITE
CORPORATE OFFICE
4001 Homestead Road
Houston, Texas 77028
713-672-9433

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

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

WEB SITE
www.friedmanindustries.com

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

AUDITORS
Ernst & Young LLP
1401 McKinney, Suite 1200
Houston, Texas 77010

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

DIRECTORS

Jack Friedman
Chairman Emeritus; former
Chairman of the Board and
Chief Executive Officer
Longview, Texas

Harold Friedman
Chairman of the Board;
Former Vice Chairman of the Board
Houston, Texas

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

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

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

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

Kirk K. Weaver
President, SVR Technologies LLC
(technology support services); formerly,
President, FXI Corporation
(technology support services)
Houston, Texas

Joe L. Williams
Managing Director,
Acordia of Texas, Inc.
(insurance and risk management)
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, 2006 as filed with the Securities and Exchange Commission. Written requests should be addressed to: Benny B. Harper, Senior Vice President, Friedman Industries, Incorporated, P.O. Box 21147, Houston, Texas 77226.

DESCRIPTION OF BUSINESS

Friedman Industries, Incorporated is engaged in pipe manufacturing and processing, steel processing and steel and pipe distribution.

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

The Company sells its coil products and processing services directly through the Company's own sales force to approximately 260 customers located primarily in the midwestern, southwestern and southeastern sections of the United States. These products and services are sold principally to steel distributors and to customers fabricating steel products such as storage tanks, steel buildings, farm machinery and equipment, construction equipment, transportation equipment, conveyors and other similar products.

The Company, through its Texas Tubular Products Division located in Lone Star, Texas, manufactures, purchases, processes and markets tubular products ("pipe"). The Company sells pipe nationally to approximately 230 customers and sells a substantial amount of manufactured pipe to LSS. The Company purchases a substantial portion of its annual supply of pipe and coil material used in pipe production from LSS. Loss of LSS as a source of such pipe and coil material supply or as a customer of manufactured pipe 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 7 of Notes to the Company's Consolidated Financial Statements appearing herein.

RANGE OF HIGH AND LOW SALES PRICES OF COMMON STOCK

	Fiscal 2006		Fiscal 2005	
	High	Low	High	Low
First Quarter	$ 8.10	5.80	$ 4.65	$ 3.05
Second Quarter	7.94	6.00	6.55	4.50
Third Quarter	6.80	5.52	12.00	5.50
Fourth Quarter	9.94	5.80	16.56	6.41

CASH DIVIDENDS DECLARED PER SHARE OF COMMON STOCK

	Fiscal 2006	Fiscal 2005
First Quarter	$.08	$.05
Second Quarter	$.08	$.08
Third Quarter	$.08	$.08
Fourth Quarter	$.08	$.08

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

The approximate number of shareholders of record of the Company as of May 26, 2006 was 430.

CONSOLIDATED BALANCE SHEETS

ASSETS

	March 31	
	2006	2005
CURRENT ASSETS:		
Cash and cash equivalents	**$ 1,982,526**	$ 205,375
Accounts receivable, net of allowances for bad debts and cash discounts of $37,276 in 2006 and 2005	**17,494,313**	16,403,036
Inventories	**27,956,921**	25,857,240
Prepaid federal income taxes	**—**	892,104
Other	**117,243**	141,004
TOTAL CURRENT ASSETS	**47,551,003**	43,498,759
PROPERTY, PLANT, AND EQUIPMENT:		
Land	**486,653**	478,618
Buildings and yard improvements	**4,088,149**	4,088,149
Machinery and equipment	**20,852,126**	18,896,907
Less accumulated depreciation	**(17,653,265)**	(16,725,869)
	7,773,663	6,737,805
OTHER ASSET:		
Cash value of officers' life insurance	**606,223**	559,778
TOTAL ASSETS	**$ 55,930,889**	$ 50,796,342

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31	
	2006	2005
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	**$ 16,713,944**	$ 13,474,128
Current portion of long-term debt	**—**	2,897
Dividends payable	**533,330**	571,180
Income taxes payable	**143,196**	—
Contribution to profit sharing plan	**256,000**	274,000
Employee compensation and related expenses	**736,723**	637,311
TOTAL CURRENT LIABILITIES	**18,383,193**	14,959,516
DEFERRED INCOME TAXES	**4,618**	86,856
POSTRETIREMENT BENEFITS OTHER THAN PENSIONS	**445,743**	395,420
STOCKHOLDERS' EQUITY:		
Common stock, par value $1:		
Authorized shares — 10,000,000		
Issued shares — 7,842,342 in 2006 and 7,764,215 in 2005	**7,842,342**	7,764,215
Additional paid-in capital	**28,663,814**	28,492,619
Treasury stock at cost (1,175,716 shares at March 31, 2006 and 624,468 shares at March 31, 2005)	**(5,475,964)**	(2,768,785)
Retained earnings	**6,067,143**	1,866,501
TOTAL STOCKHOLDERS' EQUITY	**37,097,335**	35,354,550
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 55,930,889**	$ 50,796,342

See accompanying notes.

CONSOLIDATED STATEMENTS OF EARNINGS

	Year Ended March 31		
	2006	2005	2004
Sales	**$ 181,900,351**	$ 188,022,253	$ 116,158,567
Costs and expenses:			
Cost of products sold	**166,785,924**	172,260,349	107,316,507
Selling, general, and administrative	**5,321,517**	5,663,317	4,827,728
Interest expense	**—**	15,638	35,253
	172,107,441	177,939,304	112,179,488
	9,792,910	10,082,949	3,979,079
Interest and other income	**284,416**	146,354	56,595
EARNINGS BEFORE INCOME TAXES	**10,077,326**	10,229,303	4,035,674
Income taxes:			
Current	**3,705,676**	3,693,710	1,985,835
Deferred	**(82,238)**	289,550	(486,152)
	3,623,438	3,983,260	1,499,683
NET EARNINGS	**$ 6,453,888**	$ 6,246,043	$ 2,535,991
Average number of common shares outstanding:			
Basic	**7,072,637**	7,418,410	7,574,070
Diluted	**7,163,912**	7,552,131	7,640,546
Net earnings per share:			
Basic	**$ .91**	$ .84	$ .33
Diluted	**$ .90**	$ .83	$ .33

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock	**Additional Paid-In Capital**	**Treasury Stock**	**Retained Earnings (Deficit)**
BALANCE AT MARCH 31, 2003	$ 7,573,239	$ 27,710,369	$ —	$ (4,036,857)
Net earnings	—	—	—	2,535,991
Issuance of Directors' shares	2,000	4,300	—	—
Cash dividends ($0.10 per share)	—	—	—	(757,438)
BALANCE AT MARCH 31, 2004	7,575,239	27,714,669	—	(2,258,304)
Net earnings	—	—	—	6,246,043
Issuance of Directors' shares	2,000	9,800	—	—
Exercise of stock options	186,976	286,527	—	—
Tax benefit of stock options exercised	—	481,623	—	—
Cash dividends($0.29 per share)	—	—		(2,121,238)
Treasury stock (624,468 shares)	—	—	(2,768,785)	—
BALANCE AT MARCH 31, 2005	7,764,215	28,492,619	(2,768,785)	1,866,501
Net earnings	—	—	—	6,453,888
Issuance of Directors' shares	1,600	8,192	—	—
Exercise of stock options	76,527	163,003	—	—
Cash dividends ($0.32 per share)	—	—	—	(2,253,246)
Treasury stock (551,248 shares)	—	—	(2,707,179)	—
BALANCE AT MARCH 31, 2006	**$ 7,842,342**	**$ 28,663,814**	**$ (5,475,964)**	**$ 6,067,143**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended March 31		
	2006	2005	2004
OPERATING ACTIVITIES			
Net earnings	**$ 6,453,888**	$ 6,246,043	$ 2,535,991
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Depreciation	**927,397**	908,382	916,260
Deferred taxes	**(82,238)**	289,550	(486,152)
Change in post retirement benefits	**50,323**	38,664	200,756
Tax benefit of stock options exercised	**—**	481,623	—
Changes in operating assets and liabilities:			
Accounts receivable	**(1,091,277)**	(1,714,334)	(4,722,641)
Inventories	**(2,099,681)**	(4,813,248)	2,988,276
Prepaid federal income taxes	**892,104**	(892,104)	—
Other assets	**23,762**	(28,760)	(14,200)
Accounts payable and accrued expenses	**3,239,816**	3,269,475	333,765
Contribution to profit sharing plan	**(18,000)**	(6,000)	20,000
Employee compensation and related expenses	**99,412**	(168,829)	528,216
Federal income taxes payable	**143,196**	(1,134,433)	727,813
Net cash provided by operating activities	**8,538,702**	2,476,029	3,028,084
INVESTING ACTIVITIES			
Purchase of property, plant, and equipment	**(1,963,255)**	(953,613)	(821,209)
Proceeds from sale of asset	**—**	542	—
(Increase) decrease in cash value of officers' life insurance	**(46,445)**	742,835	(81,354)
Net cash used in investing activities	**(2,009,700)**	(210,236)	(902,563)
FINANCING ACTIVITIES			
Cash dividends paid	**(2,291,096)**	(1,702,610)	(757,398)
Proceeds from borrowings of long-term debt	**—**	5,000,000	2,000,000
Principal payments on long-term debt	**(2,897)**	(5,060,140)	(2,062,787)
Purchase of treasury stock	**(2,707,179)**	(2,767,734)	—
Stock awards and options exercised	**249,321**	485,303	6,300
Net cash used in financing activities	**(4,751,851)**	(4,045,181)	(813,885)
Increase (decrease) in cash and cash equivalents	**1,777,151**	(1,779,388)	1,311,636
Cash and cash equivalents at beginning of year	**205,375**	1,984,763	673,127
Cash and cash equivalents at end of year	**$ 1,982,526**	$ 205,375	$ 1,984,763

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

CASH AND CASH EQUIVALENTS: The Company considers all highly liquid debt instruments purchased with maturities of three months or less to be cash equivalents.

INVENTORIES: Inventories consist of prime coil, non-standard coil and tubular materials. Prime coil inventory consists primarily of raw materials, non-standard coil inventory consists primarily of finished goods and tubular inventory consists of both raw materials and finished goods. Inventories are valued at the lower of cost or replacement market. Cost for prime coil inventory is determined under the last-in, first-out ("LIFO") method. During the year ended March 31, 2004, earnings before income taxes include a benefit of approximately $950,000 from the liquidation of LIFO inventory quantities carried at lower costs prevailing in prior year as compared to respective current costs of purchases. At March 31, 2006, March 31, 2005 and March 31, 2004, replacement cost exceeded LIFO cost by approximately $6,400,000, $8,200,000 and $4,320,000, respectively. Cost for non-standard coil inventory is determined using the specific identification method. Cost for tubular inventory is determined using the weighted average method.

The following is a summary of inventory by product group:

	March 31	
	2006	2005
Prime coil inventory	**$ 10,525,848**	$ 7,497,674
Non-standard coil inventory	**788,266**	530,084
Tubular raw material	**3,889,206**	4,341,204
Tubular finished goods	**12,753,601**	13,488,278
	$ 27,956,921	$ 25,857,240

PROPERTY, PLANT, AND EQUIPMENT: On April 1, 2002, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 144, Accounting for Impairment or Disposal of Long-Lived Assets ("SFAS No. 144"). That statement requires that assets held-for-sale be recorded at the lower of their carrying amount or their fair value less cost to sell. Held-for-sale assets are not depreciated. Assets are classified as held-for-sale only if (i) management commits to a plan to sell the asset, (ii) the asset is available for immediate sale, (iii) the asset is actively being marketed for sale at a price that is reasonable in relation to its current fair value and (iv) management believes the sale of the asset is probable and expects transfer within one year. No assets met the definition of held-for-sale at March 31, 2006 and 2005. Assets having a total book value of approximately $70,000 and located in Houston, Texas have been actively

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

marketed for more than three years. The Company entered into an earnest money contract for the sale of these assets in April 2006. If this transaction subsequently closes, the Company will record a gain on the sale of assets in fiscal 2007. Property, plant, and equipment are stated at cost. Depreciation is calculated primarily by the straight-line method over the estimated useful lives of the various classes of assets as follows:

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

Interest costs incurred during construction projects are capitalized as part of the cost of such assets. No interest was capitalized for the years presented. The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. No impairments were necessary at March 31, 2006 or 2005.

Maintenance and repairs are expensed as incurred.

SHIPPING COSTS: Shipping costs are recorded as a part of cost of products sold.

SUPPLEMENTAL CASH FLOW INFORMATION: The Company paid interest of approximately $0 in 2006, $15,700 in 2005 and $35,300 in 2004. The Company paid income taxes, net of refunds, of $2,570,442 in 2006, $4,891,061 in 2005 and $1,065,000 in 2004.

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

FINANCIAL INSTRUMENTS: Since the Company's financial instruments are short term in nature, the carrying value approximates fair value.

STOCK-BASED COMPENSATION: The Company follows Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB 25"), for its employee stock options. Under APB 25, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

The following schedule reflects the impact on net income and earnings per common share if the Company had applied the fair value recognition provisions of Statements of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* to stock-based employee compensation for the years ended March 31:

	2006	2005	2004
Reported net income	$ 6,453,888	$ 6,246,043	$ 2,535,991
Less: compensation expenses per SFAS No. 123, net of tax	-0-	-0-	31,582
Pro forma net income	$ 6,453,888	$ 6,246,043	$ 2,504,409
BASIC EARNINGS PER COMMON SHARE:			
Reported net income	.91	.84	.33
Less: compensation expense per SFAS No. 123, net of tax	.00	.00	.00
Pro forma net income	.91	.84	.33
DILUTED EARNINGS PER COMMON SHARE:			
Reported net income	.90	.83	.33
Less: compensation expense per SFAS No. 123, net of tax	.00	.00	.00
Pro forma net income	.90	.83	.33

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

There were no options granted in fiscal 2006, 2005 and 2004.

The Company granted stock awards to outside directors in each of fiscal 2006, 2005 and 2004. These grants were recorded as expense based on the closing price of the stock on the date of grant.

ECONOMIC RELATIONSHIP: Lone Star Steel Company ("LSS") and Nucor Steel Company supply a significant amount of steel products to the Company. Loss of either of these mills as a source of supply could have a material adverse effect on the Company. Additionally, the Company derives revenue by selling a substantial amount of its manufactured pipe to LSS. Total sales to LSS were approximately 15%, 16% and 15% of total company sales in 2006, 2005 and 2004, respectively. Loss of LSS as a customer could have a material adverse effect on the Company's business. Other than LSS, no customer accounted for 10% of total sales in the three years ended March 31, 2006, except Trinity Industries, Inc., a coil product customer, which accounted for approximately 11% of total sales in fiscal 2006 and 2005.

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

NEW ACCOUNTING PRONOUNCEMENTS:

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement Financial Accounting Standard No. 123 (revised 2004), *Share-Based Payment* (SFAS 123(R)). Statement 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. The SEC has deferred the implementation date and the Company is now required to adopt SFAS 123(R) no later than April 1, 2006. SFAS 123(R) permits adoption using one of two methods, a modified prospective method ("Prospective Method") or a modified retrospective method ("Retrospective Method"). With the Prospective Method, costs are recognized beginning with the effective date based on the requirements of SFAS 123(R) for (i) all share-based payments granted after the effective date of SFAS 123(R), and (ii) all awards granted to employees prior to the effective date of SFAS 123(R) that remain unvested on the effective date. The Retrospective Method applies the requirements of the Prospective Method but further permits entities to restate all prior periods presented based on the amounts previously recognized under SFAS 123 for purposes of pro forma disclosures. The Company intends to adopt the Prospective Method and does not expect that this adoption will have a material impact.

FASB issued Statement Financial Accounting Standard Number 151, *Inventory Costs, an Amendment of ARB No. 43, Chapter 4*, ("#151") regarding current period expenses generated from abnormal inventory costs associated with idle facility expense, freight, handling costs and spoilage. Effective in fiscal 2007, #151 will be applicable to the Company. The Company does not expect that the adoption of #151 will have a material impact.

2. STOCK OPTIONS AND CAPITAL STOCK

Under the Company's 1989 and 1996 Stock Option Plans, options were granted to certain officers and key employees to purchase common stock of the Company. Pursuant to the terms of the plans, 27,293 additional options may be granted. All options have ten-year terms and become fully exercisable at the end

2. CAPITAL STOCK AND STOCK OPTIONS (Continued)

of six months of continued employment. The following is a summary of activity relative to options outstanding during the years ended March 31:

	2006		2005		2004	
	Shares	**Weighted Average Exercise Price**	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	**224,718**	$ 2.62	411,694	$ 2.58	411,694	$ 2.58
Granted	**—**	—	—	—	—	—
Exercised	**(76,527)**	3.13	(186,976)	$ 2.53	—	—
Canceled	**(10,979)**	2.40	—	—	—	—
Outstanding at end of year	**137,212**	2.35	224,718	$ 2.62	411,694	$ 2.58
Exercisable at end of year	**137,212**	2.35	224,718	$ 2.62	411,694	$ 2.58
Weighted average fair value of options granted during the year		—		—		—

Outstanding and exercisable stock options at March 31, 2006, were as follows:

		Outstanding		Exercisable	
Range of Exercise Price	**Weighted Average Remaining Years**	**Shares**	**Weight Average Exercise Price**	**Shares**	**Weight Average Exercise Price**
$2.33	6.5	134,318	$ 2.33	134,318	$ 2.33
$3.13	-0-	2,894	$ 3.13	2,894	$ 3.13
	6.5	137,212		137,212	

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.

3. LONG-TERM DEBT AND COMMITMENTS AND CONTINGENCIES

The Company has a credit arrangement with a bank which provides for a revolving line of credit facility (the “revolving facility”). Pursuant to the revolving facility which expires April 1, 2008, the Company may borrow up to $6 million at the bank’s prime rate or at 1.5% over LIBOR. At March 31, 2006 and 2005, the Company did not have borrowings outstanding under the revolving facility. The Company entered into certain notes payable related to the purchase of certain pipe loading equipment. There are no annual principal payments required on these notes payable including the current portion thereon during the next five years.

At March 31, 2006, the Company was committed to purchase land for approximately $630,000 associated with a new coil facility to be located in Decatur, Alabama. Operations at the Decatur site are expected to commence in fiscal 2008.

The Company is obligated under an operating lease for its Longview, Texas office building that expires on April 30, 2008. The following is a schedule of future minimum annual rental payments required under this operating lease as of March 31, 2006:

2007	$ 27,264
2008	27,264
2009	2,272
2010	—
2011	—
Thereafter	—
Total	$ 56,800

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

Rental expense for leased properties was $27,264 during fiscal 2006, 2005 and 2004, respectively.

4. EARNINGS PER SHARE

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

	Year Ended March 31		
	2006	2005	2004
Basic			
Net income	**$ 6,453,888**	$ 6,246,043	$ 2,535,991
Average common shares	**7,072,637**	7,418,410	7,574,070
Dilutive			
Net income	**$ 6,453,888**	$ 6,246,043	$ 2,535,991
Average common shares	**7,072,637**	7,418,410	7,574,070
Common share equivalents:			
Options	**91,275**	133,721	66,476
Total common share equivalents	**91,275**	133,721	66,476
Average common shares and common equivalents	**7,163,912**	7,552,131	7,640,546

5. INCOME TAXES

Components of tax expense follows:

	Year Ended March 31		
	2006	2005	2004
Federal			
Current	**$ 3,260,300**	$ 2,934,088	$ 1,792,570
Deferred	**(82,238)**	289,550	(486,152)
	3,178,062	3,223,638	1,306,418
State			
Current	**445,376**	759,622	193,265
	445,376	759,622	193,265
Total	**$ 3,623,438**	$ 3,983,260	$ 1,499,683

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

	Year Ended March 31		
	2006	2005	2004
Income Tax Expense at U.S. federal statutory rate	**34.0%**	34.0%	34.0%
Benefit of tax deduction allowed to manufacturing companies	**(1.0)**	—	—
State and local income tax rates net of federal income tax benefit	**3.0**	4.9	3.2
Provision for income taxes	**36.0%**	38.9%	37.2%

5. INCOME TAXES (Continued)

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

	March 31	
	2006	2005
Deferred tax liabilities:		
Depreciation	**$ (792,909)**	$ (814,504)
Total deferred tax liabilities	**(792,909)**	(814,504)
Deferred tax assets:		
Inventory capitalization	**67,970**	71,423
LIFO Inventory	**501,125**	460,771
Postretirement benefits other than pensions	**151,553**	134,443
Other	**67,643**	61,011
Total deferred tax assets	**788,291**	727,648
Net deferred tax asset (liability)	**$ (4,618)**	$ (86,856)

6. PROFIT SHARING PLAN AND OTHER POSTRETIREMENT BENEFITS

The Company has a defined contribution plan (the "Plan") covering substantially all employees, including officers. Company contributions, which are made 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 $256,000 for the year ended March 31, 2006, $274,000 for the year ended March 31, 2005, and $280,000 for the year ended March 31, 2004. The employees fully vest in the Plan upon completion of 7 years of service. Contributions, Plan earnings, and forfeitures of terminated participants' nonvested accounts are allocated to the individual accounts of participating employees based on compensation received during the Plan year and years of active service with the Company.

Employees of the Company may participate in a 401(k) retirement plan (the "401(k) plan"). Employees are eligible to participate in the 401(k) plan when the employee has completed one year of service. Under the 401(k) 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 401(k) plan. Employees fully vest in the Company's matching contributions upon the completion of 7 years of service. Contribution expense related to the 401(k) plan was approximately $38,000, $40,000 and $28,000 for the years ended March 31, 2006, 2005 and 2004, respectively.

7. INDUSTRY SEGMENT DATA

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

7. INDUSTRY SEGMENT DATA (Continued)

tubular products. The following is a summary of significant financial information relating to the product groups:

	Year Ended March 31		
	2006	2005	2004
NET SALES:			
Coil	**$ 93,870,412**	$ 104,312,715	$ 62,372,496
Tubular	**88,029,939**	83,709,538	53,786,071
TOTAL NET SALES	**$ 181,900,351**	$ 188,022,253	$ 116,158,567
OPERATING PROFIT:			
Coil	**$ 3,949,444**	$ 4,283,911	$ 3,026,372
Tubular	**8,747,667**	9,021,863	3,704,082
TOTAL OPERATING PROFIT	**12,697,111**	13,305,774	6,730,454
General corporate expenses	**(2,904,201)**	(3,207,187)	(2,716,122)
Interest expense	**—**	(15,638)	(35,253)
Interest and other income	**284,416**	146,354	56,595
TOTAL EARNINGS BEFORE TAXES	**$ 10,077,326**	$ 10,229,303	$ 4,035,674
IDENTIFIABLE ASSETS:			
Coil	**$ 24,528,359**	$ 20,724,554	$ 21,770,013
Tubular	**28,683,780**	28,300,933	20,623,515
	53,212,139	49,025,487	42,393,528
General corporate assets	**2,718,750**	1,770,855	3,634,595
TOTAL ASSETS	**$ 55,930,889**	$ 50,796,342	$ 46,028,123
DEPRECIATION:			
Coil	**$ 610,202**	$ 624,654	$ 744,759
Tubular	**286,646**	248,542	151,250
Corporate and other	**30,549**	35,186	20,251
	$ 927,397	$ 908,382	$ 916,260
CAPITAL EXPENDITURES:			
Coil	**$ 826,642**	$ 113,243	$ 30,457
Tubular	**1,119,633**	815,145	715,426
Corporate and other	**16,980**	25,225	75,326
	$ 1,963,255	$ 953,613	$ 821,209

Operating profit is total revenue less operating expenses, excluding general corporate expenses, interest expense and interest and other income. General corporate expenses reflect general and administrative expenses not directly associated with segment operations and consist primarily of corporate and accounting salaries, professional fees and services, bad debts, accrued profit sharing expense, accrued quarterly incentive bonuses, corporate insurance expenses and office supplies. Corporate assets consist primarily of cash and cash equivalents, prepaid federal income taxes, deferred income taxes and the cash value of officers' life insurance. Although inventory is transferred at cost between product groups, there are no sales between product groups.

8. SUMMARY OF QUARTERLY RESULTS OF OPERATIONS (Unaudited)

The following is a summary of unaudited quarterly results of operations for the years ended March 31, 2006 and 2005:

	Quarter Ended			
	June 30 2005	September 30 2005	December 31 2005	March 31 2006
Net sales	$ 46,057,585	$ 42,730,045	$ 44,527,263	$ 48,585,458
Gross profit	3,113,413	3,739,051	3,834,454	4,427,509
Net earnings	1,130,767	1,569,107	1,668,687	2,085,327
Basic	.16	.22	.23	.30
Diluted(1)	.16	.22	.23	.30

	Quarter Ended			
	June 30 2004	September 30 2004	December 31 2004	March 31 2005
Net sales	$ 44,915,704	$ 49,020,241	$ 43,434,081	$ 50,652,227
Gross profit	4,200,547	5,025,949	3,156,238	3,379,170
Net earnings	1,618,829	2,261,133	1,220,609	1,145,472
Basic(1)	.21	.30	.16	.16
Diluted(1)	.21	.29	.16	.16

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
Friedman Industries, Incorporated

We have audited the accompanying consolidated balance sheets of Friedman Industries, Incorporated as of March 31, 2006 and 2005, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended March 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, 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. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Friedman Industries, Incorporated at March 31, 2006 and 2005, and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 2006, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Houston, Texas
June 27, 2006

SELECTED FINANCIAL DATA

	Year Ended March 31				
	2006	2005	2004	2003	2002
Net sales	**$ 181,900,351**	$ 188,022,253	$ 116,158,567	$ 106,082,738	$ 97,817,956
Net earnings	**6,453,888**	6,246,043	2,535,991	1,432,017	940,039
Total assets	**55,930,889**	50,796,342	46,028,123	42,778,926	43,986,455
Long-term debt	**—**	—	—	57,329	2,053,438
Stockholders' equity	**37,097,335**	35,354,550	33,031,604	31,246,751	30,491,351
Net earnings per share:					
Basic	**0.91**	0.84	0.33	0.19	0.12
Diluted	**0.90**	0.83	0.33	0.19	0.12
Cash dividends declared per share	**0.32**	0.29	0.10	0.09	0.11

See also Note 1 of Notes to the Company's Consolidated Financial Statements herein which describes the Company's relationship with its primary suppliers of steel products.

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

RESULTS OF OPERATIONS

Year ended March 31, 2006 compared to year ended March 31, 2005

During the year ended March 31, 2006, sales, costs of goods sold and gross profit decreased $6,121,902, $5,474,425 and $647,477, respectively, from the comparable amounts recorded during the year ended March 31, 2005. The decrease in sales was related primarily to a decrease in the average per ton selling price which decreased from approximately $639 per ton in fiscal 2005 to $616 per ton in fiscal 2006. Tons shipped remained constant at approximately 295,000 tons during each fiscal year. Costs of goods sold decreased due primarily to a decrease in the average per ton costs of goods sold which decreased from approximately $585 per ton in fiscal 2005 to $565 per ton in fiscal 2006. Gross profit was adversely affected by decreased sales. Gross profit as a percentage of sales declined from approximately 8.4% in fiscal 2005 to approximately 8.3% in fiscal 2006.

Coil product segment sales decreased $10,442,303 during fiscal 2006. This decrease was related primarily to a decline in the average selling price which decreased from approximately $725 per ton in fiscal 2005 to approximately $630 per ton in fiscal 2006. This decrease in sales relative to a decline in average selling prices was partially offset by an increase in tons shipped which increased from approximately 144,000 tons in fiscal 2005 to 149,000 tons in fiscal 2006. Coil operating profit declined $334,467 due primarily to the reduction in sales. Coil operating profit as a percentage of coil segment sales increased from approximately 4.1% in fiscal 2005 to 4.2% in fiscal 2006.

In fiscal 2006, the Company's Lone Star coil facility ("LSCF") continued to experience a lack of supply of coil products from its primary coil supplier, Lone Star Steel Company ("LSS"). In fiscal 2006, the Company decided to phase out the LSCF in fiscal 2007 and redeploy certain LSCF assets to a new coil operation to be located in close proximity to the Nucor Steel Company steel mill in Decatur, Alabama. LSCF, which produced a marginal profit in fiscal 2006, accounted for approximately 5% of total sales in fiscal 2006.

During the year ended March 31, 2006, XSCP, which markets non-standard coils received from Nucor Steel Company ("NSC"), continued to receive limited shipments of non-standard coils from NSC and expects these limited shipments to continue. XSCP accounted for approximately 5% of total sales in fiscal 2006 and its operating assets, when not used by XSCP, can be used at the Company's Hickman coil facility ("Hickman").

The Company is dependent on NSC for its supply of coil inventory. NSC continues to supply Hickman and XSCP with steel coils in amounts that are adequate for the Company's purposes. While current levels are adequate to sustain the Company's operations at both Hickman and XSCP, a reduction in the supply of steel coils could have an adverse effect on the Company's coil operations.

Tubular product segment sales increased $4,320,401 during fiscal 2006. This increase resulted from an increase in the average per ton selling price from approximately $557 per ton in fiscal 2005 to approximately $602 per ton in fiscal 2006. This increase was partially offset by a decline in tons shipped from approximately 150,000 tons in fiscal 2005 to 146,000 tons in fiscal 2006. Tubular product operating profit declined $274,196 and was primarily affected by a decrease in average margins. In fiscal 2006, the Company incurred an increase in pipe manufacturing costs but was unable to pass the total amount of these costs to customers. Tubular product segment operating profit as a percentage of segment sales declined from approximately 10.8% in fiscal 2005 to 9.9% in fiscal 2006. The Company experienced somewhat softer market conditions for its pipe products in fiscal 2006 as compared to conditions in fiscal 2005.

During fiscal 2006, LSS, the Company's primary supplier of tubular products and coil material used in pipe manufacturing, continued to supply such products in amounts that were adequate for the Company's purposes. The Company does not currently anticipate any significant change in such supply from LSS.

During fiscal 2006, general, selling and administrative costs decreased $341,800 from the amount recorded during fiscal 2005. This decrease was related primarily to a decrease in bad debt expense and a reduction in remuneration associated with a retired executive.

Interest and other income increased $138,062 from the comparable amount recorded in fiscal 2005. This increase was associated primarily with an increase in the average invested cash positions and an increase in average interest rates paid on invested cash during fiscal 2006.

Income taxes decreased $359,822 from the comparable amount recorded during fiscal 2005. This decrease was primarily related to the decrease in earnings before taxes and to a tax deduction allowed to manufacturing companies in fiscal 2006. Effective tax rates were 36.0% and 38.9% in fiscal 2006 and 2005, respectively.

Year ended March 31, 2005 compared to year ended March 31, 2004

During the year ended March 31, 2005, sales, costs of goods sold and gross profit increased $71,863,686, $64,943,842 and $6,919,844, from the respective amounts recorded during the year ended March 31, 2004. The increases in sales and costs of goods were related primarily to increases in the average per ton selling price and average per ton cost of goods sold of approximately $278 and $252, respectively. Total tons shipped decreased from approximately 322,000 tons in fiscal 2004 to 295,000 tons in fiscal 2005. Gross profit benefited from improved margins. In fiscal 2005, gross profit and costs of goods as percentage of sales were approximately 8.4% compared to 7.6% in fiscal 2004. During fiscal 2005, the Company experienced a significant improvement in market conditions for its products as compared to market conditions during fiscal 2004.

Coil product segment sales increased approximately $41,940,000 during fiscal 2005. This increase was related primarily to an increase in the average per ton selling price. Tons shipped declined from approximately 173,000 tons in fiscal 2004 to 144,000 tons in fiscal 2005. Each of the Company's coil operations reflected a decrease in tons sold. However, approximately 59% of this overall decrease in tons sold was related to a reduction in tons sold by the Company's XSCP Division ("XSCP"). During fiscal 2005, XSCP, which markets non-standard coils received from Nucor Steel Company ("NSC"), agreed with NSC to suspend the purchase of non-standard coils. XSCP accounted for approximately 3% of the Company's total sales during fiscal 2005. Total coil operating profit as a percentage of coil segment sales decreased from 4.9% in fiscal 2004 to 4.1% in fiscal 2005. In fiscal 2004, coil operations experienced a liquidation of LIFO inventory which generated a one-time benefit of approximately $950,000 in operating income.

In fiscal 2005, the Company's Lone Star coil facility ("LSCF") continued to experience a lack of supply of coil products from its primary coil supplier, Lone Star Steel Company ("LSS"). LSCF accounted for approximately 7% of the Company's total sales in fiscal 2005 and produced a marginal profit from operations in fiscal 2005.

The Company is dependent on NSC for its supply of inventory. NSC continues to supply Hickman and XSCP with steel coils in amounts that are adequate for the Company's purposes. While current levels are adequate to sustain the Company's operations, a reduction in the supply of steel coils could have an adverse effect on the Company's coil operations.

Tubular product segment sales increased approximately $29,923,000 during fiscal 2005. This increase resulted primarily from an increase of approximately $196 in the average per ton selling price. Tons shipped in each fiscal year remained constant at approximately 150,000 tons. Tubular product segment operating profits as a percentage of segment sales were approximately 10.8% and 6.9% in fiscal 2005 and 2004, respectively. This segment benefited from significantly improved market conditions for tubular products during fiscal 2005 as compared to market conditions in fiscal 2004.

During fiscal 2005, LSS, the Company's primary supplier of tubular products and coil material used in pipe manufacturing, continued to supply such products in amounts that were adequate for the Company's purposes. The Company does not currently anticipate any significant change in such supply from LSS.

During fiscal 2005, general, selling and administrative costs increased $835,589 from the amount recorded during fiscal 2004. This increase was related primarily to bonuses associated with increased earnings and an increase in legal and professional expenses.

Interest and other income increased $89,759 from the amount recorded during fiscal 2005. This increase was associated primarily with interest earned on improved invested cash positions during fiscal 2005.

Income taxes increased $2,483,577 from the comparable amount recorded during fiscal 2004. This increase was primarily related to the increase in earnings before taxes. The effective tax rates were 39% and 37% in fiscal 2005 and 2004, respectively. In fiscal 2005, the Company recorded taxes related to the surrender of life insurance policies and an increase in the net effect of state income taxes.

FINANCIAL CONDITION, LIQUIDITY AND SOURCES OF CAPITAL

The Company remained in a strong, liquid position at March 31, 2006. Current ratios were 2.59 and 2.91 at March 31, 2006 and March 31, 2005, respectively. Working capital was $29,167,810 at March 31, 2006 and $28,539,243 at March 31, 2005.

During the year ended March 31, 2006, the Company maintained assets and liabilities at levels it believed were commensurate with operations. Cash, accounts receivable, inventories and accounts payable increased. These increases were related primarily to the ordinary course of business of the Company. 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 2004, the Company purchased 624,207 shares of the common stock of the Company from Mr. Harold Friedman for approximately $4.434 per share or a total of $2,767,734. Effective as of December 31, 2004, Mr. H. Friedman resigned as Vice Chairman of the Board and retired as a full-time employee of the Company.

In February 2006, the Company purchased 551,248 shares of the common stock of the Company from Mr. Jack Friedman for approximately $4.911 per share or a total of $2,707,179. Effective as of February 8, 2006, Mr. J. Friedman retired as Chairman of the Board and Chief Executive Officer and as an employee of the Company.

During the year ended March 31, 2006, the Company purchased approximately $1,963,000 in fixed assets. These assets were related primarily to improvements to the small diameter pipe mill which began operation at Lone Star, Texas in April 2004 and land and equipment associated with the new coil operation to be located in Decatur, Alabama. In connection with this planned new operation, in fiscal 2007 the Company intends to phase out its coil processing operations at Lone Star, Texas. At the Decatur site, the Company intends to construct a coil processing facility using in part assets currently used at its Lone Star facility. The Company expects that the Decatur processing facility will initially operate a hot roll steel temper mill and a hot roll steel cut-to-length and leveling line. The Company expects that the Decatur facility will commence operations in fiscal 2008. In addition to the funds to be used to purchase the real property in Alabama, the Company's Board of Directors has authorized up to an additional $16 million to be used for capital expenditures and working capital related to the acquisition improvement of the Decatur facility.

The Company has entered into an earnest money contract for the sale of the real property owned by the Company in Houston, Texas. The closing is subject to standard conditions, including inspections and feasibility studies. The Company anticipates closing on the sale in August 2006. Following the closing, the Company plans to lease the office building located on the Houston property and to maintain its corporate office at such location.

The Company has a credit arrangement with a bank which provides for a revolving line of credit facility (the "revolving facility"). Pursuant to the revolving facility, which expires April 1, 2008, the Company may

FINANCIAL CONDITION, LIQUIDITY AND SOURCES OF CAPITAL (continued)

borrow up to $6 million at an interest rate of the bank's prime rate or 1.5% over LIBOR. The Company uses the revolving facility to support cash flow and borrows and repays funds as working capital is required. At March 31, 2006 and 2005, the Company had no borrowings outstanding under the revolving facility. The Company has in the past and may in the future borrow funds on a term basis to build or improve facilities. The Company currently has no plans to borrow funds on a term basis.

Notwithstanding the current market conditions, the Company believes that its cash flow from operations and borrowing capability under its revolving line of credit facility 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.

CONTRACTUAL OBLIGATIONS

	Payment Due by Period				
Contractual Obligations	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Long-term debt obligations	$ —	$ —	—	—	—
Capital lease obligations	—	—	—	—	—
Operating lease obligations	56,800	27,264	$ 27,264	$ 2,272	—
Total	$ 56,800	$ 27,264	$ 27,264	$ 2,272	—

INFLATION

During fiscal 2006, the Company believes that the general level of inflation had little effect on its operations.

CRITICAL ACCOUNTING POLICIES

The preparation of consolidated financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. One such accounting policy which requires significant estimates and judgments is the valuation of LIFO inventories in the Company's quarterly reporting. The Company's quarterly valuation of inventory requires estimates of the year end quantities which is inherently difficult. Historically, these estimates have been materially correct. In addition, the Company maintains an allowance for doubtful accounts receivable by providing for specifically identified accounts where collectibility is doubtful. On an on-going basis, the Company evaluates estimates and judgments. The Company bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances.

FORWARD-LOOKING STATEMENTS

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

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business the Company is exposed to market risks primarily from changes in the cost of steel in inventory and in interest rates. The Company closely monitors exposure to market risks and develops appropriate strategies to manage risk. With respect to steel purchases, there is no recognized market to purchase derivative financial instruments to reduce the inventory exposure risk on changing commodity prices. The exposure to market risk associated with interest rates relates primarily to debt. Recent debt balances are minimal and, as a result, direct exposure to interest rates changes is not significant.

TEN YEAR FINANCIAL SUMMARY

	Year Ended March 31									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Net sales	**$ 181,900,351**	$ 188,022,253	$ 116,158,567	$ 106,082,738	$ 97,817,956	$ 120,395,583	$ 120,267,809	$ 124,719,640	$ 148,840,724	$ 119,920,966
Earnings	**$ 6,453,888**	$ 6,246,043	$ 2,535,991	$ 1,432,017	$ 940,039	$ 2,927,582	$ 2,506,801	$ 3,540,811	$ 4,809,992	$ 3,630,071
Current assets	**$ 47,551,003**	$ 43,498,759	$ 37,829,701	$ 34,769,500	$ 35,806,988	$ 40,231,329	$ 36,945,378	$ 32,534,040	$ 39,347,548	$ 33,357,160
Current liabilities	**$ 18,383,193**	$ 14,959,516	$ 12,639,763	$ 11,035,388	$ 10,797,106	$ 12,271,802	$ 8,377,279	$ 6,758,038	$ 13,437,178	$ 10,172,672
Net working capital	**$ 29,167,810**	$ 28,539,243	$ 25,189,938	$ 23,734,112	$ 25,009,882	$ 27,959,527	$ 28,568,099	$ 25,776,002	$ 25,910,370	$ 23,184,488
Total assets	**$ 55,930,889**	$ 50,796,342	$ 46,028,123	$ 42,778,926	$ 43,986,455	$ 48,010,512	$ 45,106,790	$ 41,023,377	$ 46,039,361	$ 38,117,191
Stockholders' equity	**$ 37,097,335**	$ 35,354,550	$ 33,031,604	$ 31,246,751	$ 30,491,351	$ 30,378,150	$ 28,622,951	$ 27,422,779	$ 25,732,957	$ 22,781,959
Earnings as a percent of										
Net sales	**3.5**	3.3	2.2	1.3	1.0	2.4	2.1	2.8	3.2	3.0
Stockholders' equity	**17.4**	17.7	7.7	4.6	3.1	9.6	8.8	12.9	18.7	15.9
Average number of common shares outstanding: Basic(1)	**7,072,637**	7,418,410	7,574,070	7,572,239	7,571,239	7,568,839	7,547,624	7,528,702	7,512,901	7,489,943
Per share										
Net earnings per share:										
Basic	**$ 0.91**	$ 0.84	$ 0.33	$ 0.19	$ 0.12	$ 0.39	$ 0.33	$ 0.47	$ 0.64	$ 0.48
Stockholders' equity(1)	**$ 5.25**	$ 4.77	$ 4.36	$ 4.13	$ 4.03	$ 4.01	$ 3.79	$ 3.64	$ 3.43	$ 3.04
Cash dividends per common share	**$ 0.32**	$ 0.29	$ 0.10	$ 0.09	$ 0.11	$ 0.16	$ 0.18	$ 0.25	$ 0.25	$ 0.18
Stock dividend declared	**—**	—	—	—	—	—	5%	5%	5%	5%

(1) Adjusted for stock dividends.

EXHIBIT 14.1

FRIEDMAN INDUSTRIES, INCORPORATED

CODE OF CONDUCT AND ETHICS

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

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

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

The Board of Directors is responsible for applying and interpreting the Code. Any questions relating to how the Code should be interpreted or applied should be addressed to a supervisor, the Chief Executive Officer, the President or the Senior Vice President-Finance. Any employee, officer or director who becomes aware of any existing or potential violation of laws, rules, regulations or the Code should promptly notify the Chief Executive Officer, the President, the Senior Vice President-Finance or the Chairman of the Audit Committee. Reports may be made orally or in writing and may be made anonymously and will be kept confidential to the extent permitted. Written reports should be sent to the attention of the Chief Executive Officer, the President or the Senior Vice President-Finance, at P.O. Box 21147, Houston, Texas 77226. In addition, reports may be made to the Chairman of the Audit Committee by calling (713)957-4945 or sent to 262 North Sam Houston Parkway E., Suite 110, Houston, TX 77060.

Failure to notify the Chief Executive Officer, the President, the Senior Vice President — Finance or the Chairman of the Audit Committee of any violation or potential violation is 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 Senior Vice President — Finance. Any waiver of the Code for directors and executive officers of the Company must be approved by the Company's Board of Directors and will be promptly reported in such manner as may be required by the SEC or AMEX.

EXHIBIT 21.1

SUBSIDIARIES

ROYAL FASTENERS CORPORATION	Texas Corporation	100% owned

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Friedman Industries, Incorporated of our report dated June 27, 2006, with respect to the consolidated financial statements of Friedman Industries, Incorporated, included in the 2006 Annual Report to Shareholders of Friedman Industries, Incorporated.

Our audits also included the financial statement schedule of Friedman Industries, Incorporated listed in Item 15(a). This schedule is the responsibility of Friedman Industries, Incorporated's management. Our responsibility is to express an opinion based on our audits. In our opinion, as to which the date is June 27, 2006, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-37887) pertaining to the 1996 Stock Option Plan, the 1995 Non-Employee Director Plan, as amended, and the 1989 Incentive Stock Option Plan, as amended, and in the Registration Statement (Form S-8 No. 333-47262) pertaining to the 2000 Non-Employee Director Stock Plan of our report dated June 27, 2006, with respect to the consolidated financial statements of Friedman Industries, Incorporated incorporated herein by reference, and our report included in the preceding paragraph with respect to the financial statement schedule of Friedman Industries, Incorporated included in this Annual Report (Form 10-K) of Friedman Industries, Incorporated.

/s/ Ernst & Young LLP

Houston, Texas
June 27, 2006

EXHIBIT 31.1

I, William E. Crow, Chief Executive Officer, President and Chief Operating Officer of Friedman Industries, Incorporated, a Texas corporation, certify that:

1. I have reviewed this Annual 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, result 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)) 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) [intentionally omitted per SEC release 33-8238]

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: June 27, 2006

/s/ William E. Crow

Chief Executive Officer, President
and Chief Operating Officer

EXHIBIT 31.2

I, Ben Harper, Senior Vice President — Finance and Secretary/Treasurer of Friedman Industries, Incorporated, a Texas corporation, certify that:

1. I have reviewed this Annual 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, result 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)) 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) [intentionally omitted per SEC release 33-8238]

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: June 27, 2006

/s/ Ben Harper

Senior Vice President — Finance and Secretary/Treasurer

EXHIBIT 32.1

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

Not Filed Pursuant to the Securities Exchange Act of 1934

In connection with the Annual Report of Friedman Industries, Incorporated (the "Company") on Form 10-K for the fiscal year ended March 31, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William E. Crow, Chief Executive Officer, President and Chief Operating Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirement of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ William E. Crow
Chief Executive Officer, President
and Chief Operating Officer

Dated: June 27, 2006

EXHIBIT 32.2

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

Not Filed Pursuant to the Securities Exchange Act of 1934

In connection with the Annual Report of Friedman Industries, Incorporated (the "Company") on Form 10-K for the fiscal year ended March 31, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ben Harper, Senior Vice President-Finance and Secretary/Treasurer for the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirement of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Ben Harper
Senior Vice President — Finance
and Secretary/Treasurer

Dated: June 27, 2006