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, 2008

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	**74-1504405**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
4001 Homestead Road, Houston, Texas	**77028**
(Address of principal executive offices)	(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 a well-known seasoned issuer as defined in Rule 405 of the Securities Act.

Yes ___ No _X_

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

Yes __ No _X_

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such 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, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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

Yes ___ No _X_

The aggregate market value of the Common Stock held by non-affiliates of the registrant as of September 30, 2007 (computed by reference to the closing price on such date), was approximately $56,608,000.

The number of shares of the registrant's Common Stock outstanding at June 14, 2008 was 6,799,444 shares.

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DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Annual Report to Shareholders of Friedman Industries, Incorporated for the fiscal year ended March 31, 2008 — Part II.

Proxy Statement for the 2008 Annual Meeting of Shareholders — Part III.

PART I

Item 1. Business

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

The Company has two product groups: coil and tubular products. Significant financial information relating to the Company's product groups for the last 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, 2008, which financial statements are incorporated herein by reference in Item 8 hereof.

Coil Products

The Company purchases hot-rolled steel coils, processes the coils into flat, finished sheet and plate and sells these products on a wholesale, rapid-delivery basis in competition with steel mills, importers and steel service centers. The Company also processes customer-owned coils on a fee basis. The steel coils are processed through 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.

The Company owns and operates a coil processing facility located in Hickman, Arkansas. At the 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.

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.

The Company also owns a coil processing plant located in Decatur, Alabama. This facility is currently undergoing final testing procedures, and management expects that the facility will be in full production by August 2008. The Decatur facility, which is located close to a NSC mill, consists of a 2-Hi temper pass mill and a cut-to-length line including a leveling line.

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. Both pipe mill #1 and pipe mill #2 are American Petroleum Institute-licensed to manufacture line and oil country pipe and also manufacture pipe for structural and piling purposes that meet recognized industry standards. TTP also employs various pipe processing equipment including threading and beveling machines, pipe handling equipment and other related machinery. 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 U.S. Steel Tubular Products, Inc. ("USS"), an affiliate of United States Steel Corporation, pursuant to orders received from USS. In addition, the Company manufactures and markets to others pipe for structural and other miscellaneous applications. The Company also purchases from USS 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 USS. The Company can make no assurances as to the amounts of pipe and coil material that will be available from USS in the future. Loss of USS as a source of supply for TTP or as a customer of TTP 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	2008	2007	2006
Coil Products	46%	48%	52%
Tubular Products	54%	52%	48%

Coil Products. The Company sells coil products to approximately 200 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, 2008, 2007 and 2006, eight, nine and seven customers of coil products, respectively, accounted for approximately 25% of the Company's total 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%, 10% and 11% of total sales in fiscal 2008, 2007 and 2006, respectively.

The Company sells substantially all of its coil products through its own sales force. At March 31, 2008, 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.

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 240 customers. The Company's principal customers for these products are steel and pipe distributors, piling contractors and USS. Sales of pipe to USS accounted for approximately 17% of the Company's total sales in fiscal 2008. Since the purchase of Lone Star Steel Company, a large customer of tubular products, by United States Steel Corporation on June 14, 2007, the Company has continued to sell tubular products to USS. However, the Company can make no assurances as to the amount of future sales to USS.

The Company sells its tubular products through its own sales force comprised of three professional sales personnel under the direction of the Senior Vice President — Sales and Marketing. 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, 2008, the Company had approximately 130 full-time employees.

Executive Officers of the Company

The following table sets forth as of March 31, 2008, the name, age, officer positions and family relationships, if any, of each executive officer of the Company and the period during which each officer has served in such capacity:

Name	Age	Position, Offices with the Company and Family Relationships, if any
William E. Crow	60	Chief Executive Officer since 2006 and President since 1995; formerly Chief Operating Officer since 1995, Vice President since 1981 and President of Texas Tubular Products Division since August 1990
Benny Harper	62	Senior Vice President — Finance since 1995 (formerly Vice President since 1990), Treasurer since 1980 and Secretary since May 1992
Thomas Thompson	57	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 USS and NSC for our supply of inventory. While current levels are adequate to sustain our coil operations, a reduction in the supply of steel coils could have an adverse effect on our coil operations. USS 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 USS could have an adverse effect on our tubular operations. While the Company has not experienced any material change in supply as a result of the acquisition of Lone Star Steel Company by United States Steel Corporation in June 2007, and does not anticipate any future material changes in supply from USS, it can make no assurances that the supply of raw materials from USS will not be negatively affected.

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 flows.

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.

We own a new steel processing and distribution operation in Decatur, Alabama which is currently undergoing final testing procedures and is expected to be in full production by August 2008. In addition, we have made improvements to pipe mill #2 at our TTP operations in Lone Star, Texas. Expansion presents risks. We have expended and will continue to 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 flows.

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

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

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

Product liability claims could adversely affect our operations.

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

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

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

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

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

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

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

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

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

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

(2) The office lease is with a nonaffiliated party, expires April 30, 2013, and provides for an annual rental of $30,084.

(3) In September 2006, the Company sold real property in Houston, Texas and signed a 12-month lease agreement to rent office space at this location. The office lease is with Steelvest Property, LLC, a company affiliated with Max Reichenthal, a director of the Company. The lease is renewable on a quarterly basis and provides for a monthly rental of $1,400.

Item 3. Legal Proceedings

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

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, 2008, entitled "Description of Business — Range of High and Low Sales Prices of Common Stock", "Description of Business — Cash Dividends Declared Per Share of Common Stock" and "Performance Graph", which sections are hereby incorporated herein by reference.

The approximate number of shareholders of record of Common Stock of the Company as of May 23, 2008 was 350.

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, 2008, 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, 2008, 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, 2008, are hereby incorporated herein by reference:

Consolidated Balance Sheets — March 31, 2008 and 2007

Consolidated Statements of Earnings — Years ended March 31, 2008, 2007 and 2006

Consolidated Statements of Stockholders' Equity — Years ended March 31, 2008, 2007 and 2006

Consolidated Statements of Cash Flows — Years ended March 31, 2008, 2007 and 2006

Notes to Consolidated Financial Statements

Reports of Independent Registered Public Accounting Firms

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, 2008.

The following supplementary schedule for the Company for the year ended March 31, 2008, is included elsewhere in this report.

Schedule II — Valuation and Qualifying Accounts

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

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

None

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Internal Control Over Financial Reporting

Management's report on internal control over financial reporting appears on page 18 of the Company's Annual Report to Shareholders for the year ended March 31, 2008, which is incorporated herein by reference. This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

There were no changes in the Company's internal control over financial reporting that occurred during the fiscal quarter ended March 31, 2008 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 2008 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 2008 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 2008 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 2008 fiscal year.

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

Equity Compensation Plan Information

The Company had no equity compensation plan as of March 31, 2008.

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 2008 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 2008 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 2008 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 2008 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 2008 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 2008 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, 2008, which is incorporated herein by reference.

Consolidated Balance Sheets — March 31, 2008 and 2007

Consolidated Statements of Earnings — Years ended March 31, 2008, 2007 and 2006

Consolidated Statements of Stockholders' Equity — Years end March 31, 2008, 2007 and 2006

Consolidated Statements of Cash Flows — Years ended March 31, 2008, 2007 and 2006

Notes to Consolidated Financial Statements

Reports of Independent Registered Public Accounting Firms

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 10.1, 10.3, 10.4, 10.5, 10.6, 10.7, 10.9, 10.10 and 10.11 described in this Item 15(a).
10.1	— 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).
*10.2	— 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).
10.3	— 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).
10.4	— 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).

Exhibit No.	Description
10.5	— 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).
10.6	— 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).
10.7	— Fifth Amendment to the Amended and Restated Letter Agreement dated effective as of April 1, 2003 between JPMorgan Chase Bank N.A. 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, 2003).
10.8	— 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).
10.9	— Sixth Amendment to the Amended and Restated Letter Agreement dated effective as of April 1, 2005 between JPMorgan Chase Bank N.A. 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, 2005).
10.10	— Seventh Amendment to the Amended and Restated Letter Agreement dated effective as of May 18, 2007 between JPMorgan Chase Bank N.A. and the Company (filed as an exhibit to and incorporated by reference from the Company's Annual Report on Form 10K for the years end March 31, 2007).
10.11	— Revolving Promissory Note dated effective May 18, 2007 between the Company and J.P. Morgan Chase Bank (filed as an exhibit 6 and incorporated by reference from the Company's Annual Report on Form 10K for the years end March 31, 2007).
10.12	— 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).
**10.13	— Lease Agreement between Steelvest Property, LLC and the Company dated September 8, 2006, regarding office space.
**13.1	— The Company's Annual Report to Shareholders for the fiscal year ended March 31, 2008.
**14.1	— Friedman Industries, Incorporated Code of Conduct and Ethics.
**21.1	— List of Subsidiaries.
**23.1	— Consent of Hein & Associates LLP, Independent Registered Public Accounting Firm
**23.2	— Consent of Malone & Bailey, PC, Independent Registered Public Accounting Firm.
**23.3	— Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.
**31.1	— Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed by William E. Crow.
**31.2	— Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed by Ben Harper.
**32.1	— Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed by William E. Crow.
**32.2	— Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed by Ben Harper.

* 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, 2008.

FRIEDMAN INDUSTRIES, INCORPORATED

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons 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 and President and Director (Principal Executive Officer)	June 27, 2008
/s/ BENNY B. HARPER Benny B. Harper	Senior Vice President — Finance Secretary/Treasurer (Principal Financial and Accounting Officer)	June 27, 2008
/s/ HAROLD FRIEDMAN Harold Friedman	Director	June 27, 2008
/s/ JACK FRIEDMAN Jack Friedman	Director	June 27, 2008
/s/ DURGA D. AGRAWAL Durga D. Agrawal	Director	June 27, 2008
/s/ CHARLES W. HALL Charles W. Hall	Director	June 27, 2008
/s/ ALAN M. RAUCH Alan M. Rauch	Director	June 27, 2008
/s/ HERSHEL M. RICH Hershel M. Rich	Director	June 27, 2008
/s/ JOEL SPIRA Joel Spira	Director	June 27, 2008
/s/ JOE L. WILLIAMS Joe L. Williams	Director	June 27, 2008
/s/ MAX REICHENTHAL Max Reichenthal	Director	June 27, 2008

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, 2008					
Allowance for doubtful accounts receivable and cash discounts (deducted from related asset account)	$ 37,276	$ 0	$ 921,692	$ 921,692	$ 37,276
Year ended March 31, 2007					
Allowance for doubtful accounts receivable and cash discounts (deducted from related asset account)	$ 37,276	$ 10,252	$ 977,735	$ 987,987	$ 37,276
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

(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 10.1, 10.3, 10.4, 10.5, 10.6, 10.7, 10.9, 10.10 and 10.11 described in this Item 15(a).
10.1	— 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).
*10.2	— 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).
10.3	— 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).
10.4	— 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).
10.5	— 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).
10.6	— 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).
10.7	— Fifth Amendment to the Amended and Restated Letter Agreement dated effective as of April 1, 2003 between JPMorgan Chase Bank N.A. 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, 2003).
10.8	— 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).
10.9	— Sixth Amendment to the Amended and Restated Letter Agreement dated effective as of April 1, 2005 between JPMorgan Chase Bank N.A. 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, 2005).
10.10	— Seventh Amendment to the Amended and Restated Letter Agreement dated effective as of May 18, 2007 between JPMorgan Chase Bank N.A. and the Company (filed as an exhibit to and incorporated by reference from the Company's Annual Report on Form 10K for the years end March 31, 2007).
10.11	— Revolving Promissory Note dated effective May 18, 2007 between the Company and J.P. Morgan Chase Bank (filed as an exhibit to and incorporated by reference from the Company's Annual Report on Form 10K for the years end March 31, 2007).

Exhibit No.	Description
10.12	— 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).
**10.13	— Lease Agreement between Steelvest Property, LLC and the Company dated September 8, 2006, regarding office space.
**13.1	— The Company's Annual Report to Shareholders for the fiscal year ended March 31, 2008.
**14.1	— Friedman Industries, Incorporated Code of Conduct and Ethics.
**21.1	— List of Subsidiaries.
**23.1	— Consent of Hein & Associates LLP, Independent Registered Public Accounting Firm
**23.2	— Consent of Malone & Bailey, PC, Independent Registered Public Accounting Firm.
**23.3	— Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.
**31.1	— Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed by William E. Crow.
**31.2	— Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed by Ben Harper.
**32.1	— Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed by William E. Crow.
**32.2	— Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed by Ben Harper.

* 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.

ONE YEAR INDUSTRIAL/OFFICE LEASE
(WITH MONTH-TO-MONTH EVERGREEN PROVISION)

1. *PARTIES:* The parties to this Lease are STEELVEST PROPERTY, LLC, a Texas limited liability company (Landlord) and FRIEDMAN INDUSTRIES, INCORPORATED, a Texas corporation (Tenant).

2. *LEASE:* Landlord leases to Tenant the free standing office building shown on the drawing attached hereto as Exhibit A (the Office Building), together with the right to park vehicles in the areas shown on said Exhibit A as the "Parking Area," and the right of ingress and egress over and across the existing paved area to Homestead Road over and across the land identified as the "Access Easement" on said Exhibit A, said Office Building, Parking Area and Access Easement being located on and out of the larger tract of land described on Exhibit B attached hereto (the Property). Tenant will limit its use and occupancy of the Property to the Office Building, the Parking Area and the Access Easement.

3. *TERM:* The initial one-year term of this Lease shall commence on the date of this Lease and shall end on the last day of the twelfth (12^{th}) full calendar month that follows, subject to earlier termination by reason of other provisions hereof; and provided, upon expiration of the initial one-year term, this Lease shall continue on a month-to-month basis at the same rental rate (subject to adjustment as provided in Section 4 hereof) and upon the same terms and conditions unless either party elects to terminate this Lease upon written notice to the other party, whereupon this Lease shall terminate on the last day of the month following the month in which such written notice of termination is given.

4. *RENTAL:* Tenant shall pay to Landlord as rental $1400.00 per month during the term of this Lease, payable in advance on the first day of each month, beginning on the first day of September, 2006, prorated for any partial month if this Lease shall terminate on any day other than the last day of a calendar month. If this Lease continues on a month-to-month basis after the expiration of the initial one-year term, Landlord may adjust the rent, such adjustment to become effective on and after the first of the second full calendar month following the month in which Tenant receives written notice of such rental adjustment.

5. *UTILITIES & PROPERTY TAXES:* Subject to the proviso herein, Tenant shall provide and pay for all utilities used at the Property, including, without limitation, all electric power, gas, water, sewer and waste water discharge, telephone, DSL and/or broadband internet service and trash pickup; provided, however, if Landlord (including any person controlled by, under common control with or controlling Landlord or any other tenant of any such person) occupies any part of the Property, Landlord and Tenant shall each pay for one-half (1/2) of the water and gas used at the Property during Landlord's occupation thereof, and Landlord and Tenant shall have the electricity separately metered so that electricity used by Tenant in Office Building can be separately invoiced from electricity used for the operation of the rest of the Property, so that each party will pay for the electricity consumed by such party. Each party shall pay one-half (1/2) of the cost of metering. Landlord shall pay all ad valorem taxes assessed against the ' Property. Tenant shall pay all personal property taxes with respect to all personal property located in the Office Building and owned by Tenant.

6. *USE OF PROPERTY:* Tenant may use the Office Building for general office and file storage purposes and for no other purposes. Tenant may not assign this Lease or sublet any part of the Office Building without Landlord's prior written consent.

7. *CONDITION OF OFFICE BUILDING:* Tenant accepts the Office Building "AS IS" and with "ALL FAULTS AND DEFECTS" and in its present condition and state of repair at the commencement of the Lease. Upon termination, Tenant shall surrender the Office Building to Landlord in the condition of the Office Building at the commencement of this Lease, except normal wear and tear.

8. *ALTERATIONS:* Tenant may not alter the Office Building or install improvements or fixtures without the prior written consent of Landlord. Any improvements or fixtures placed in the Office Building during the Lease shall become the property of Landlord except as herein provided.

9. *SPECIAL PROVISIONS:*

Tenant shall subordinate its interest to any mortgage or deed of trust Landlord may place on the Property during the term hereof.

Tenant shall deliver upon request a commercially reasonable subordination and non-disturbance agreement in connection with the placement of any mortgage or deed of trust. Tenant shall also deliver a commercially reasonable estoppel certificate in connection therewith.

This Lease constitutes the sole agreement between the parties succeeding all prior understandings or agreements regarding possession of the Office Building or any other part of the Property.

10. *INSPECTIONS:* Landlord may enter at reasonable times and after reasonable notice to inspect the Office Building.

11. *LAWS:* Tenant shall comply with all applicable laws, restrictions, ordinances, rules and regulations with respect to the Property.

12. *REPAIRS AND MAINTENANCE:* Tenant shall be responsible for ordinary repairs and maintenance of the interior, plumbing, electrical systems and air-conditioning systems in the Office Building. Further Tenant shall promptly repair or cause to be repaired without expense to Landlord any damage to any of the Property caused directly or indirectly by any negligent act or omission of Tenant or any person under Tenant's control, occurring within the term of this Lease. Except as otherwise provided above, Landlord shall be responsible for the repair and maintenance of the Property, including without limitation, the roof, foundation and exterior and structural walls of the Office Building.

13. *INSURANCE:* Landlord shall maintain such property and liability insurance in respect of the Property as Landlord deems to be prudent or as Landlord's mortgagee (if any) shall require. Landlord and Tenant shall each maintain such insurance on the contents and personal property owned by such party as each party may deem appropriate during the term of this Lease. Tenant shall maintain commercial general liability insurance providing for coverage amounts of no less than $1,000,000 per occurrence and $2,000,000 in the aggregate, and such policies shall name Landlord as additional insured.

14. *DEFAULT:* If Tenant fails to perform or observe any provision of this Lease and fails, within ten (10) business days after written notice by Landlord to commence and diligently pursue to remedy such failure, Tenant will be in default.

15. *TERMINATION:* This Lease terminates (a) as provided in Section 3 hereof, or (b) at Landlord's election upon Tenant's default under this Lease. Tenant shall remove all of Tenant's personal property and effects and leave the Office Building in a clean condition upon termination of this Lease.

16. *HOLDING OVER:* Tenant shall surrender possession of the Office Building upon termination of this Lease. Any possession by Tenant after termination creates a tenancy at sufferance and will not operate to renew or extend this Lease.

17. *ATTORNEY'S FEES:* The prevailing party in any legal proceeding brought under or with respect to the transaction described in this Lease is entitled to recover from the non-prevailing party all costs of such proceeding and reasonable attorney's fees.

18. *WAIVERS:* Tenant expressly waives Landlord's duty to inspect; and Landlord expressly waives any right to a landlord's lien against the personal property of Tenant as security for the payment of rent or otherwise.

19. *SECURITY DEVICES:* The requirements of the Texas Property Code relating to security devices do not apply to this Lease.

20. *NOTICES:* All notices under this Lease from one party to the other must be in writing and are effective when delivered or transferred by facsimile machine as follows:

Tenant:	FRIEDMAN INDUSTRIES, INCORPORATED 4001 Homestead Road Houston, Texas 77028-5809 Attn: Ben Harper, CFO Phone: (713) 672-9433 Fax: (713) 672-7043 Email: bharper@friedmanindustries.com
With Copy to Tenant's Counsel:	Fulbright & Jaworski L.L.P. 1301 McKinney, Suite 5100 Houston, TX 77010-3095 Attn: William B. Sing, Esq. Phone: (713) 651-3709 Fax: (713) 651-5246 Email: wsing@fulbright.com
Landlord::	STEELVEST PROPERTY, LLC c/o Texas Iron and Metal Co. 865 Lockwood Drive Houston, Texas 77020 Attn: Mr. Max Reichenthal Phone: (713) 672-7595 Fax: (713) 672-0653 Email: maxr@texasironandmetal.com
With Copy to Landlord's Counsel:	Boyar & Miller 4265 San Felipe, Suite 1200 Houston, Texas 77027 Attn: Stephen L. Johnson, Esq. Phone: (713) 850-7766 Fax: (713) 552-1758 Email: sjohnson@boyarmiller.com

Signatures on Next Page

EXECUTED in multiple counterparts as of the 8 day of September, 2006.

LANDLORD:

STEELVEST PROPERTY, LLC

By: /s/ MAX REICHENTHAL
Name: Max Reichenthal
Title: Member

TENANT:

FRIEDMAN INDUSTRIES, INCORPORATED

By: /s/ BEN HARPER
Name: Ben Harper
Title: SR. VP

Amendment to the One Year Industrial/Office Lease between Steelvest Property, LLC (Landlord) and Friedman Industries, Incorporated (Tenant) dated September 8, 2006.

The term of this lease is hereby amended as follows:

Upon expiration of the initial one-year term, this Lease will continue on a quarter-to-quarter basis, After the initial one-year term of this lease, either the Landlord or Tenant may terminate this Lease upon written notice to the other party whereupon this Lease shall terminate on the last day of the third month following the month in which such written notice of termination is given.

Executed on this 19th day of September, 2007.

LANDLORD

STEELVEST PROPERTY, LLC

Signed /s/ MAX REICHENTHAL
Max Reichenthal, Member

FRIEDMAN INDUSTRIES, INCORPORATED

Signed /s/ BEN HARPER
Ben Harper, Senior Vice President-Finance

EXHIBIT 13.1

THE COMPANY'S ANNUAL
REPORT TO SHAREHOLDERS FOR
THE FISCAL YEAR ENDED MARCH 31, 2008

FRIEDMAN INDUSTRIES, INCORPORATED

2008 ANNUAL REPORT

FINANCIAL HIGHLIGHTS

	2008	2007
Net sales	**$178,785,110**	$199,726,619
Net earnings	**$4,465,127**	$7,018,318
Net earnings per share (Basic)	**$0.66**	$1.05
Cash dividends per share	**$0.27**	$0.34
Stockholders' equity	**$44,956,741**	$42,109,998
Working capital	**$34,638,228**	$28,464,786

TO OUR SHAREHOLDERS:

Friedman Industries, Incorporated had a good year in fiscal 2008. Sales and profits were $178,785,110 and $4,465,127, respectively. The Company continues to be profitable and continues to pay cash dividends.

Currently, the Company has completed two important expansion projects costing approximately $12,600,000. These projects consist of improvements to the #2 pipe mill located in Lone Star, Texas and the construction of the new coil processing facility in Decatur, Alabama. The projects were paid in full with internally generated funds and as a result, no debt associated with the projects was incurred.

The #2 pipe mill is in full operation. Currently, demand is strong for the Company's tubular products.

The Decatur coil processing facility is expected to commence operations this summer. This facility is located near Nucor Steel Company and will operate a steel temper mill and a cut-to-length line including a leveling line.

In June 2007, United States Steel Corporation purchased Lone Star Steel Company. U.S. Steel Tubular Products, Inc., an affiliate of United States Steel Corporation, succeeded to the operations of Lone Star Steel Company. Since June 2007, we have continued to do business with U.S. Steel Tubular Products, Inc. and look forward to doing business with them in the future.

Sincerely,

Harold Friedman
Harold Friedman
Chairman of the Board of Directors

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

OFFICERS

William E. Crow
Chief Executive Officer and
President

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

Thomas N. Thompson
Senior Vice President — Sales and Marketing

Ronald L. Burgerson
Vice President

Dale Ray
Vice President

Howard Henderson
Vice President of Operations — Texas Tubular Division

Robert McCain
Vice President — Decatur Division

Robert Sparkman
Vice President of Sales — Coil Divisions

Charles W. Hall
Assistant Secretary

COMPANY OFFICES AND WEB SITE

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

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

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

WEB SITE
www.friedmanindustries.com

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

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

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

DIRECTORS

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

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

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

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

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

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

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

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

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

Joe L. Williams
Partner, Pozmantier Insurance Consulting

Services, LLC
(insurance and risk management consultants)
Houston, Texas

ANNUAL REPORT ON FORM 10-K

Shareholders may obtain without charge a copy of the Company's Annual Report on Form 10-K for the year ended March 31, 2008 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 (the "Company") is engaged in steel processing, pipe manufacturing and processing and steel and pipe distribution.

At its facility in 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. Beginning in August 2008, the Company plans to begin operating another coil processing facility in Decatur, Alabama. Through its XSCP Division located in Hickman, Arkansas, the Company purchases and markets non-standard hot-rolled coils. The Company purchases a substantial amount of its annual coil tonnage from Nucor Steel Company ("NSC"). Loss of NSC as a source of coil supply could have a material adverse effect on the Company's business.

The Company sells its coil products and processing services directly through the Company's own sales force to approximately 200 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 240 customers and sells a substantial amount of manufactured pipe to U.S. Steel Tubular Products, Inc. ("USS"), an affiliate of United States Steel Corporation. The Company purchases a substantial portion of its annual supply of pipe and coil material used in pipe production from USS. Loss of USS as a customer of manufactured pipe or as a source of pipe and coil material supply 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 2008		Fiscal 2007	
	High	Low	High	Low
First Quarter	$ 10.30	$8.68	$ 11.52	$ 7.17
Second Quarter	9.76	7.06	9.83	7.82
Third Quarter	9.50	5.87	12.89	7.81
Fourth Quarter	6.43	4.90	12.40	8.00

CASH DIVIDENDS DECLARED PER SHARE OF COMMON STOCK

	Fiscal 2008	Fiscal 2007
First Quarter	$ .08	$ .08
Second Quarter	.08	.08
Third Quarter	.06	.10
Fourth Quarter	.05	.08

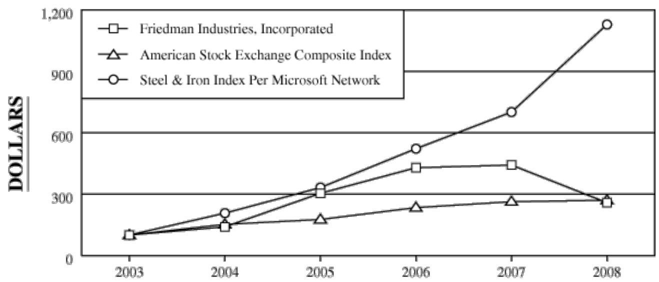
The Company's Common Stock is traded principally on the American Stock Exchange (trading symbol FRD).

The approximate number of shareholders of record of the Company as of May 23, 2008 was 350.

PERFORMANCE GRAPH

The following graph compares the percentage change in the Company's cumulative total shareholder return on the Common Stock with the total cumulative return on the American Stock Exchange Composite Index ("ACI") and the Steel & Iron Index per Microsoft Network ("SII") for each fiscal year indicated. The graph is based on the assumption that $100 is invested in the Common Stock of the Company, the ACI and the SII on March 31, 2003 and that all dividends are reinvested.

Comparison of Five-Year Cumulative Return



The foregoing graph is based on historical data and is not necessarily indicative of future performance. This graph shall not be deemed to be "soliciting material" or to be "filed" with the Commission or subject to Regulations 14A or 14C under the Exchange Act or to the liabilities of Section 18 under such Act.

CONSOLIDATED BALANCE SHEETS

ASSETS

	March 31	
	2008	2007
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,643,922	$ 1,039,030
Accounts receivable, net of allowances for bad debts and cash discounts of $37,276 at March 31, 2008 and 2007, respectively	16,742,000	17,261,553
Inventories	29,900,327	33,272,823
Other	136,345	157,963
TOTAL CURRENT ASSETS	49,422,594	51,731,369
PROPERTY, PLANT, AND EQUIPMENT:		
Land	1,082,331	1,082,331
Construction in progress	8,706,172	5,004,550
Buildings and yard improvements	3,494,294	3,494,294
Machinery and equipment	21,879,259	21,236,184
Less accumulated depreciation	(18,389,983)	(17,344,822)
	16,772,073	13,472,537
OTHER ASSETS:		
Cash value of officers' life insurance and other assets	720,001	667,800
Deferred income taxes	43,724	—
TOTAL ASSETS	$ 66,958,392	$ 65,871,706

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31	
	2008	2007
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 13,499,314	$ 21,875,516
Dividends payable	339,972	536,969
Current portion of long-term debt	54,028	—
Income taxes payable	70,069	46,742
Contribution to profit sharing plan	259,500	256,000
Employee compensation and related expenses	561,483	551,356
TOTAL CURRENT LIABILITIES	14,784,366	23,266,583
LONG-TERM DEBT, less current portion	6,667,536	—
DEFERRED INCOME TAXES	—	1,934
POSTRETIREMENT BENEFITS OTHER THAN PENSIONS	549,749	493,191
STOCKHOLDERS' EQUITY:		
Common stock, par value $1:		
Authorized shares — 10,000,000		
Issued shares — 7,975,160 and 7,887,824 at March 31, 2008 and 2007, respectively	7,975,160	7,887,824
Additional paid-in capital	29,003,674	28,887,517
Treasury stock at cost (1,175,716 shares at March 31, 2008 and 2007, respectively)	(5,475,964)	(5,475,964)
Retained earnings	13,453,871	10,810,621
TOTAL STOCKHOLDERS' EQUITY	44,956,741	42,109,998
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 66,958,392	$ 65,871,706

See accompanying notes.

CONSOLIDATED STATEMENTS OF EARNINGS

	Year Ended March 31		
	2008	2007	2006
Net sales	**$ 178,785,110**	$ 199,726,619	$ 181,900,351
Costs and expenses:			
Cost of products sold	**167,279,743**	185,110,805	166,785,924
Selling, general and administrative	**4,830,921**	5,152,697	5,321,517
Gain on sale of assets	**—**	(1,312,839)	—
Interest expense	**89,964**	29,460	—
	172,200,628	188,980,123	172,107,441
	6,584,482	10,746,496	9,792,910
Interest and other income	**201,365**	132,037	284,416
EARNINGS BEFORE INCOME TAXES	**6,785,847**	10,878,533	10,077,326
Income taxes:			
Current	**2,366,378**	3,862,899	3,705,676
Deferred	**(45,658)**	(2,684)	(82,238)
	2,320,720	3,860,215	3,623,438
NET EARNINGS	**$ 4,465,127**	$ 7,018,318	$ 6,453,888
Weighted average number of common shares outstanding:			
Basic	**6,733,942**	6,685,577	7,072,637
Diluted	**6,782,023**	6,752,275	7,163,912
Net earnings per share:			
Basic	**$ .66**	$ 1.05	$ .91
Diluted	**$ .66**	$ 1.04	$ .90

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings
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
Net earnings	—	—	—	7,018,318
Exercise of stock options	45,482	60,491	—	—
Tax benefit of options exercised	—	163,212	—	—
Cash dividends ($0.34 per share)	—	—	—	(2,274,840)
BALANCE AT MARCH 31, 2007	7,887,824	28,887,517	(5,475,964)	10,810,621
Net earnings	—	—	—	4,465,127
Exercise of stock options	87,336	116,157	—	—
Cash dividends ($0.27)	—	—	—	(1,821,877)
BALANCE AT MARCH 31, 2008	**$ 7,975,160**	**$ 29,003,674**	**$ (5,475,964)**	**$ 13,453,871**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended March 31		
	2008	2007	2006
OPERATING ACTIVITIES			
Net earnings	**$ 4,465,127**	$ 7,018,318	$ 6,453,888
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation	**1,138,418**	1,040,011	927,397
Deferred taxes	**(45,658)**	(2,684)	(82,238)
Change in post-retirement benefits other than pensions	**56,558**	47,448	50,323
Gain on sale of assets	**—**	(1,312,839)	—
Disposal of fixed assets	**1,096**	95,374	—
Tax benefit of stock options exercised	**—**	163,212	—
Changes in operating assets and liabilities:			
Accounts receivable	**519,553**	232,760	(1,091,277)
Inventories	**3,372,496**	(5,315,902)	(2,099,681)
Prepaid federal income taxes	**—**	—	892,104
Other assets	**21,618**	(40,720)	23,762
Accounts payable and accrued expenses	**(8,376,202)**	5,161,572	3,239,816
Contribution to profit sharing plan	**3,500**	—	(18,000)
Employee compensation and related expenses	**10,127**	(185,367)	99,412
Income taxes payable	**23,327**	(96,454)	143,196
Net cash provided by operating activities	**1,189,960**	6,804,729	8,538,702
INVESTING ACTIVITIES			
Purchase of property, plant, and equipment	**(4,439,051)**	(6,909,738)	(1,963,255)
Proceeds from sale of assets	**—**	1,388,318	—
(Increase) in cash value of officers' life insurance	**(52,201)**	(61,577)	(46,445)
Net cash used in investing activities	**(4,491,252)**	(5,582,997)	(2,009,700)
FINANCING ACTIVITIES			
Cash dividends paid	**(2,018,872)**	(2,271,201)	(2,291,096)
Proceeds from borrowings of long-term debt	**10,762,084**	—	—
Principal payments on long-term debt	**(4,040,521)**	—	(2,897)
Purchase of treasury stock	**—**	—	(2,707,179)
Stock awards and options exercised	**203,493**	105,973	249,321
Net cash provided by (used) in financing activities	**$ 4,906,184**	(2,165,228)	(4,751,851)
Increase (decrease) in cash and cash equivalents	**1,604,892**	(943,496)	1,777,151
Cash and cash equivalents at beginning of year	**1,039,030**	1,982,526	205,375
Cash and cash equivalents at end of year	**$ 2,643,922**	$ 1,039,030	$ 1,982,526

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

CASH AND CASH EQUIVALENTS: Cash and cash equivalents is composed of cash and overnight investments pursuant to a bank sweep arrangement.

INVENTORIES: Inventories consist of prime coil, non-standard coil and tubular materials. Prime coil inventory consists primarily of raw materials, non-standard coil inventory consists primarily of finished goods and tubular inventory consists of both raw materials and finished goods. Inventories are valued at the lower of cost or replacement market. Cost for prime coil inventory is determined under the last-in, first-out (“LIFO”) method. At March 31, 2008 and March 31, 2007, replacement cost exceeded LIFO cost by approximately $7,000,000 and $7,500,000, 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. Obsolete or slow moving inventories are not significant based on the Company’s review of inventories. Accordingly, no allowance has been provided for such items.

The following is a summary of inventory by product group:

	March 31	
	2008	2007
Prime coil inventory	**$ 8,121,728**	$ 11,034,422
Non-standard coil inventory	**918,334**	665,234
Tubular raw material	**7,444,805**	5,854,255
Tubular finished goods	**13,415,460**	15,718,912
	29,900,327	$ 33,272,823

PROPERTY, PLANT, AND EQUIPMENT: 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

In the year ended March 31, 2008, the Company recorded additional construction in progress associated with the new coil facility located in Decatur, Alabama. This facility, which is expected to be in production by August 2008, will operate a steel temper mill and a cut-to-length line including a steel

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

leveling line. In fiscal 2007, the Company sold real property located in Houston, Texas and realized a before tax gain of $1,312,839. Proceeds from this sale were invested in this new facility. At March 31, 2008, the estimated cost to complete this facility was approximately $600,000. Construction in progress assets were not being depreciated as of March 31, 2008.

Interest costs related to 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, 2008 or 2007.

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 $79,000 in 2008, $29,500 in 2007 and $0 in 2006. The Company paid income taxes, net of refunds, of $2,584,731 in 2008, $3,946,144 in 2007 and $2,570,442 in 2006.

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

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

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

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

STOCK-BASED COMPENSATION:

In December 2004, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment* (“SFAS 123(R)”). SFAS 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 Company adopted the Prospective Method of SFAS 123(R) effective April 1, 2006. 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. With the adoption of the Prospective Method on April 1, 2006, there was no impact on the financial statements as all of the options were vested as of April 1, 2006.

There were no options granted in fiscal 2008, 2007 and 2006.

The Company granted stock awards to outside directors in each of fiscal 2006 and 2005. These grants were recorded as expense based on the closing price of the stock on the date of grant. There were no stock awards to outside directors in fiscal 2007 or 2008.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ECONOMIC RELATIONSHIP: U.S. Steel Tubular Products, Inc. ("USS") and Nucor Steel Company supply a significant amount of steel products to the Company. Loss of either of these mills as a source of supply could have a material adverse effect on the Company. Additionally, the Company derives revenue by selling a substantial amount of its manufactured pipe to USS. Total sales to USS were approximately 17%, 20% and 15% of total company sales in fiscal 2008, 2007 and 2006, respectively. Loss of USS as a customer could have a material adverse effect on the Company's business. Other than USS, no customer accounted for 10% of total sales in the three years ended March 31, 2008, except Trinity Industries, Inc., a coil product customer, which accounted for approximately 11%, 10% and 11% of total sales in fiscal 2008, 2007 and 2006, respectively.

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 September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" (SFAS No. 157). SFAS No. 157 establishes a framework for measuring fair value in accordance with generally accepted accounting principles, clarifies the definition of fair value within that framework, and expands disclosures about fair value measurements. SFAS No. 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value, except for the measurement of share-based payments. The standard does not expand the use of fair value in any new circumstances. SFAS No. 157 is effective, for the Company, beginning the first quarter of fiscal year 2009. For certain types of financial instruments, SFAS No. 157 requires a limited form of retrospective transition, whereby the cumulative impact of the change in principle is recognized in the opening balance of retained earnings in the fiscal year of adoption. All other provisions of SFAS No. 157 will be applied prospectively beginning in the first quarter of fiscal year 2009. The Company is currently evaluating the impact that the adoption of SFAS No. 157 will have on the consolidated financial statements.

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109" (FIN 48). This Interpretation provides guidance on recognition, classification and disclosure concerning uncertain tax liabilities. The evaluation of a tax position requires recognition of a tax benefit if it is more likely than not it will be sustained upon examination. We adopted this Interpretation effective April 1, 2007. The adoption did not have a material impact on our consolidated financial statements.

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, no further options may be granted. All options have ten-year terms and become fully exercisable at the end of six months of continued employment. The following is a summary of activity relative to options outstanding during the years ended March 31:

	2008		2007		2006	
	Shares	**Weighted Average Exercise Price**	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	**88,836**	$ 2.33	137,212	$ 2.35	224,718	$ 2.62
Granted	**—**	—	—	—	—	—
Exercised	**(87,336)**	$ 2.33	(45,482)	$ 2.33	(76,527)	$ 3.13
Canceled	**(1,500)**	$ 2.33	(2,894)	$ 3.13	(10,979)	$ 2.40
Outstanding at end of year	**—**	—	88,836	$ 2.33	137,212	$ 2.35
Exercisable at end of year	**—**	—	88,836	$ 2.33	137,212	$ 2.35
Weighted average fair value of options granted during the year	**—**	—	—	—	—	—

The Company has 1,000,000 authorized shares of Cumulative Preferred Stock with a par value of $1 per share. The stock may be issued in one or more series, and the Board of Directors is authorized to fix the designations, preferences, rights, qualifications, limitations, and restrictions of each series, except that any series must provide for cumulative dividends and must be convertible into common stock. There were no shares of Cumulative Preferred Stock issued as of March 31, 2008 and March 31, 2007.

3. LONG-TERM DEBT AND COMMITMENTS AND CONTINGENCIES

Effective May 18, 2007, the Company renewed 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, 2010, the Company may borrow up to $10 million at the bank’s prime rate or at 1.5% over LIBOR. The revolving facility requires that the Company maintain a tangible net worth as adjusted of $33,000,000, maintain a working capital ratio of 2 to 1 and maintain a debt to equity ratio of 1.1 to 1. No collateral is required pursuant to the revolving facility. At March 31, 2008, the Company owed $6,600,000 pursuant to the revolving facility at an average interest rate of approximately 4.4%. Proceeds of these loans were used to support cash flows related primarily to accounts payable. The loans were paid in full in April 2008 and May 2008. At March 31, 2007, the Company did not have borrowings outstanding under the revolving facility. The Company does not pay a commitment fee relative to this facility.

The Company is obligated under operating leases for its Longview, Texas and Houston, Texas office buildings, which expire April 30, 2013 and August 31, 2008, respectively. The following is a schedule of future minimum annual rental payments required under these operating leases as of March 31, 2008:

2009	$ 36,849
2010	30,084
2011	30,084
2012	30,084
2013	30,084
Thereafter	2,507
Total	$ 159,692

Rental expenses for leased properties were $44,064, $37,064 and $27,264 during fiscal 2008, 2007 and 2006, respectively.

4. EARNINGS PER SHARE

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

	Year Ended March 31		
	2008	2007	2006
Basic			
Net earnings	**$ 4,465,127**	$ 7,018,318	$ 6,453,888
Weighted average common shares	**6,733,942**	6,685,577	7,072,637
Dilutive			
Net earnings	**4,465,127**	$ 7,018,318	$ 6,453,888
Weighted average common shares	**6,733,942**	6,685,577	7,072,637
Common share equivalents:			
Options	**48,081**	66,698	91,275
Total common share equivalents	**48,081**	66,698	91,275
Weighted average common shares and common share equivalents	**6,782,023**	6,752,275	7,163,912

5. INCOME TAXES

Components of tax expense are as follows:

	Year Ended March 31		
	2008	2007	2006
Federal			
Current	**$ 2,140,327**	$ 3,486,758	$ 3,260,300
Deferred	**(45,658)**	(2,684)	(82,238)
	2,094,669	3,484,074	3,178,062
State			
Current	**226,051**	376,141	445,376
	226,051	376,141	445,376
Total	**$ 2,320,720**	$ 3,860,215	$ 3,623,438

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

	Year Ended March 31		
	2008	2007	2006
Income Tax Expense at U.S. federal statutory rate	**34.0%**	34.0%	34.0%
Benefit of tax deduction allowed to manufacturing companies	**(2.0)**	(1.0)	(1.0)
State and local income tax rates net of federal income tax benefit	**2.2**	2.5	3.0
Provision for income taxes	**34.2%**	35.5%	36.0%

The Company's tax returns may be subject to examination by the Internal Revenue Service for the fiscal years ending March 31, 2005 through March 31, 2007. State and local returns may subject to examination for fiscal years ended March 31, 2005 through March 31, 2007.

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 amounts used for tax purposes. Significant components of the Company's consolidated deferred tax assets (liabilities) are as follows:

	March 31	
	2008	2007
Deferred tax liabilities:		
Depreciation	**$ (1,125,365)**	$ (1,181,316)
Total deferred tax liabilities	**(1,125,365)**	(1,181,316)
Deferred tax assets:		
Inventory capitalization	**85,715**	67,844
LIFO Inventory	**834,314**	874,421
Postretirement benefits other than pensions	**186,915**	167,685
Other	**62,144**	69,432
Total deferred tax assets	**1,169,088**	1,179,382
Net deferred tax asset (liability)	**$ 43,724**	$ (1,934)

6. PROFIT SHARING PLAN AND OTHER POSTRETIREMENT BENEFITS

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

The retirement portion of the Plan covers substantially all employees, including officers. 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 $173,000 for the eight months ended December 31, 2007, $256,000 for the year ended March 31, 2007 and $256,000 for the year ended March 31, 2006. Contributions, Plan earnings and forfeitures of nonvested accounts of terminated participants are allocated to the remaining individual accounts determined by a point schedule based on years of employment with the Company.

Employees may participate in the 401(k) portion of the Plan. Employees are eligible to participate in the Plan when the employee has completed one year of service. Under the Plan, participating employees may defer a portion of their pretax earnings up to certain limits prescribed by the Internal Revenue Service. The Company provides matching contributions under the provisions of the Plan. Contribution expense related to the 401(k) portion of the Plan was approximately $44,000, $48,000 and $38,000 for the years ended March 31, 2008, 2007 and 2006, 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

7. INDUSTRY SEGMENT DATA (Continued)

coils. Through its tubular operation, the Company purchases, processes, manufactures and markets tubular products. The following is a summary of significant financial information relating to the product groups:

	Year Ended March 31		
	2008	2007	2006
NET SALES:			
Coil	**$ 83,088,686**	$ 96,794,728	$ 93,870,412
Tubular	**95,696,424**	102,931,891	88,029,939
TOTAL NET SALES	**$ 178,785,110**	$ 199,726,619	$ 181,900,351
OPERATING PROFIT:			
Coil	**$ 2,782,079**	$ 4,202,251	$ 3,949,444
Tubular	**6,284,240**	7,864,313	8,747,667
TOTAL OPERATING PROFIT	**9,066,319**	12,066,564	12,697,111
General corporate expenses	**(2,391,873)**	(2,603,447)	(2,904,201)
Gain on sale of assets	**—**	1,312,839	—
Interest expense	**(89,964)**	(29,460)	—
Interest and other income	**201,365**	132,037	284,416
TOTAL EARNINGS BEFORE INCOME TAXES	**$ 6,785,847**	$ 10,878,533	$ 10,077,326
IDENTIFIABLE ASSETS:			
Coil	**$ 29,469,277**	$ 27,600,911	$ 24,528,359
Tubular	**34,040,679**	36,491,155	28,683,780
	63,509,956	64,092,066	53,212,139
General corporate assets	**3,448,436**	1,779,640	2,718,750
TOTAL ASSETS	**$ 66,958,392**	$ 65,871,706	$ 55,930,889
DEPRECIATION:			
Coil	**$ 573,629**	$ 594,080	$ 610,202
Tubular	**533,825**	413,368	286,646
Corporate and other	**30,964**	32,563	30,549
	$ 1,138,418	$ 1,040,011	$ 927,397
CAPITAL EXPENDITURES:			
Coil	**$ 3,862,434**	$ 5,646,911	$ 826,642
Tubular	**576,617**	1,259,152	1,119,633
Corporate and other	**—**	3,675	16,980
	$ 4,439,051	$ 6,909,738	$ 1,963,255

Operating profit is total net sales less operating expenses, excluding general corporate expenses, gain on sale of assets, 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, 2008 and 2007:

	Quarter Ended			
	June 30, 2007	September 30, 2007	December 31, 2007	March 31, 2008
Net sales	$ 50,530,510	$ 41,154,571	$ 38,062,240	$ 49,037,789
Gross profit	3,769,618	2,432,362	1,969,812	3,333,575
Net earnings	1,552,451	920,886	660,207	1,331,583
Basic(2)	.23	.14	.10	.20
Diluted(2)	.23	.14	.10	.20

	Quarter Ended			
	June 30, 2006	September 30, 2006	December 31, 2006	March 31, 2007
Net sales	$ 52,623,730	$ 51,629,944	$ 47,472,953	$ 47,999,992
Gross profit	4,876,676	3,406,241	3,263,609	3,069,288
Net earnings	2,145,141	2,267,863(1)	1,379,149	1,226,165
Basic	.32	.34	.21	.18
Diluted	.32	.34	.20	.18

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

(2) 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.

REPORTS OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRMS

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

We have audited the accompanying consolidated balance sheet of Friedman Industries, Incorporated (the "Company") as of March 31, 2008, and the related consolidated statements of earnings, stockholders' equity, and cash flows for year ended March 31, 2008. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Friedman Industries, Incorporated at March 31, 2008, and the consolidated results of their operations and their cash flows for the year ended March 31, 2008, in conformity with U.S. generally accepted accounting principles.

We were not engaged to examine management's assertion about the effectiveness of Friedman Industries, Incorporated's internal control over financial reporting as of March 31, 2008 included in the accompanying management's report on internal control over financial reporting and, accordingly, we do not express an opinion thereon.

/s/ Hein & Associates LLP

Houston, Texas
June 25, 2008

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

We have audited the accompanying consolidated balance sheet of Friedman Industries, Incorporated as of March 31, 2007, and the related consolidated statements of earnings, stockholders' equity, and cash flows for year ended March 31, 2007. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Friedman Industries, Incorporated at March 31, 2007, and the consolidated results of its operations and its cash flows for the year ended March 31, 2007, in conformity with U.S. generally accepted accounting principles.

/s/ MALONE & BAILEY, PC

Houston, Texas
www.malone-bailey.com
June 25, 2007

Board of Directors and Shareholders
Friedman Industries, Incorporated

We have audited the accompanying consolidated statements of earnings, stockholders' equity, and cash flows of Friedman Industries, Incorporated for the year 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 audit.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

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

/s/ Ernst & Young LLP

Houston, Texas
June 27, 2006

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our management assessed the effectiveness of our internal control over financial reporting as of the end of our most recent fiscal year. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control — Integrated Framework. Based on such assessment, management concluded that, as of March 31, 2008, our internal control financial reporting is effective based on those criteria.

SELECTED FINANCIAL DATA

	Year Ended March 31				
	2008	2007	2006	2005	2004
Net sales	**$ 178,785,110**	$ 199,726,619	$ 181,900,351	$ 188,022,253	$ 116,158,567
Net earnings	**4,465,127**	7,018,318(1)	6,453,888	6,246,043	2,535,991
Total assets	**66,958,392**	65,871,706	55,930,889	50,796,342	46,028,123
Long-term debt	**6,667,536**	—	—	—	—
Stockholders' equity	**44,956,741**	42,109,998	37,097,335	35,354,550	33,031,604
Net earnings per share:					
Basic	**0.66**	1.05(1)	0.91	0.84	0.33
Diluted	**0.66**	1.04(1)	0.90	0.83	0.33
Cash dividends declared per share	**0.27**	0.34	0.32	0.29	0.10

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

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

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

RESULTS OF OPERATIONS

Year ended March 31, 2008 compared to March 31, 2007

During the year ended March 31, 2008, sales, costs of goods sold and gross profit decreased $20,941,509, $17,831,062 and $3,110,447, respectively, from the comparable amounts recorded during the year ended March 31, 2007. The decrease in sales was related to a decline in tons sold as well as a decrease in average selling prices. Tons shipped decreased from approximately 306,000 tons in fiscal 2007 to 284,000 tons in fiscal 2008. The average per ton selling price decreased from approximately $654 per ton in fiscal 2007 to approximately $629 per ton in fiscal 2008. The decline in costs of goods sold was primarily related to the decrease in sales. Average per ton costs of goods sold decreased from approximately $606 per ton in fiscal 2007 to $588 per ton in fiscal 2008. The decrease in gross profit was related to the reduction in tons shipped and a decrease in margins earned. Gross profit as a percentage of sales decreased from approximately 7.3% in fiscal 2007 to 6.4% in fiscal 2008. The Company experienced softer market conditions for its products in fiscal 2008 compared to market conditions in fiscal 2007. Management believes that softer market conditions experienced in fiscal 2008 were related to a somewhat weaker U.S. economy.

Coil product segment sales decreased $13,706,042 during fiscal 2008. This segment experienced decreases in both tons sold and average selling prices. Tons of coil products sold declined from approximately 142,000 tons in fiscal 2007 to 127,000 tons in fiscal 2008 while the average per ton selling price decreased from approximately $682 per ton to approximately $654 per ton. Coil operating profit decreased $1,420,172 due to both the reduction in tons sold and a decrease in margins earned. Coil operating profit as a percentage of coil segment sales decreased from approximately 4.3% in fiscal 2007 to 3.3% in fiscal 2008. Softer market conditions for coil products were experienced in fiscal 2008.

In fiscal 2007, the Company phased out its Lone Star, Texas coil facility ("LSCF"). LSCF accounted for approximately 1% of total sales and generated a small loss in fiscal 2007. Certain LSCF assets were redeployed to the Company's new coil operation located in Decatur, Alabama, which is expected to be in full operation by August 2008.

The Company is dependent on Nucor Steel Company ("NSC") for its supply of coil inventory. In fiscal 2008, NSC continued to supply steel coils in amounts that were adequate for the Company's purposes. The Company does not currently anticipate any significant change in such supply from NSC.

Tubular product segment sales decreased $7,235,467 during fiscal 2008. This decrease was related to a decrease in tons shipped in fiscal 2008 and by a decline in the average per ton selling price. Tons shipped decreased from approximately 164,000 tons in fiscal 2007 to 157,000 tons in fiscal 2008. Average selling prices declined from approximately $629 per ton in fiscal 2007 to $609 per ton in fiscal 2008. Sales to U.S. Steel Tubular Products, Inc. ("USS"), an affiliate of United States Steel Corporation, declined in fiscal 2008. This decrease is discussed further in the paragraph below. Tubular product segment operating profits as a percentage of segment sales were approximately 7.6% and 6.6% in fiscal 2007 and 2008, respectively. Margins were adversely affected by softer market conditions in fiscal 2008.

USS, an affiliate of United States Steel Corporation that succeeded to the operations of Lone Star Steel Company, is the Company's primary supplier of tubular products and coil material used in pipe manufacturing and is a major customer of manufactured pipe. On June 14, 2007, United States Steel Corporation consummated its purchase of Lone Star Steel Company. In fiscal 2008, the Company recorded a decrease in pipe tons produced for USS and a related decrease in sales. The Company was advised that this reduction was associated with the adjustment of inventory levels at USS. If future production for USS is reduced, the Company believes that sales will continue to decline but gross profit will not be reduced proportionally as pipe produced for USS is marginally profitable. In fiscal 2008, USS continued to supply the Company with pipe in amounts that were adequate for the Company's purposes. Loss of USS as a supplier or customer could have a material adverse effect on the Company's business.

During fiscal 2008, general, selling and administrative costs decreased $321,776 from the amount recorded during fiscal 2007. This decrease was related primarily to decreases in commissions and bonuses associated with the decline in earnings and volume.

Interest expense increased $60,504 in fiscal 2008. In fiscal 2008, the Company borrowed funds pursuant to its line of credit facility to support cash flows.

Interest and other income increased $69,328 from the amount recorded in fiscal 2007. In fiscal 2007, the Company recorded a loss on disposal of assets.

Income taxes decreased $1,539,495 from the comparable amount recorded during fiscal 2007. This decrease was primarily related to the decrease in earnings before income taxes. Effective tax rates were 35.5% and 34.2% in fiscal 2007 and 2008, respectively. In fiscal 2008, the Company benefited from a reduction in state taxes and from a tax decrease associated with manufacturing companies.

Year ended March 31, 2007 compared to year end March 31, 2006

During the year ended March 31, 2007, sales and cost of products sold increased $17,826,268, $18,324,881 and gross profit decreased $498,613 from the respective amounts recorded during the year ended March 31, 2006. The increase in sales was related primarily to an increase in the average per ton selling price which increased from approximately $616 per ton in fiscal 2006 to $654 per ton in fiscal 2007. In addition, the Company experienced an increase in tons sold from approximately 295,000 tons in fiscal 2006 to approximately 306,000 tons in fiscal 2007. The increase in costs of products sold was related primarily to an increase in the average per ton cost which increased from approximately $565 per ton in fiscal 2006 to $606 per ton in fiscal 2007. Gross profit was adversely affected by a reduction in margins. Gross profit as a percentage of sales declined from approximately 8.3% in fiscal 2006 to approximately 7.3% in fiscal 2007. The Company could not pass along all of the increased material costs to its customers in fiscal 2007.

Coil product segment sales increased approximately $2,924,000 during fiscal 2007. This increase was related primarily to an increase in the average selling price which increased from approximately $630 per ton in fiscal 2006 to approximately $682 per ton in fiscal 2007. This increase was partially offset by a decrease in tons shipped which declined from approximately 149,000 tons in fiscal 2006 to 142,000 tons in fiscal 2007. Coil operating profit increased approximately $253,000 due to the sales increase. Coil operating profit as a percentage of coil segment sales increased from approximately 4.2% in fiscal 2006 to 4.3% in fiscal 2007.

In fiscal 2007, the Company phased out the Lone Star, Texas coil facility ("LSCF"). LSCF accounted for approximately 1% of total sales and generated a small loss in fiscal 2007. Certain LSCF assets were redeployed to the Company's new coil operation located in Decatur, Alabama. The Decatur facility is expected to be in full operation by August 2008.

The Company is dependent on Nucor Steel Company ("NSC") for its supply of coil inventory. In fiscal 2007, NSC continued to supply steel coils in amounts that were adequate for the Company's purposes. The Company did not anticipate any significant change in such supply from NSC.

Tubular product segment sales increased approximately $14,902,000 during fiscal 2007. This increase resulted primarily from an increase in tons shipped which increased from approximately 146,000 tons in fiscal 2006 to 164,000 tons in fiscal 2007. Average per ton selling prices increased from $602 per ton in fiscal 2006 to $629 per ton in fiscal 2007. Tubular product segment operating profit as a percentage of segment sales declined from approximately 9.9% in fiscal 2006 to 7.6% in fiscal 2007. Even though tubular sales increased in fiscal 2007, average margins earned on sales were reduced due to somewhat softer market conditions for pipe products in fiscal 2007 as compared to conditions in fiscal 2006.

During fiscal 2007, Lone Star Steel Company ("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. On June 14, 2007, United States Steel Corporation consummated its purchase of LSS and is more fully discussed above.

In September 2006, the Company sold the real property owned by the Company in Houston, Texas and signed a 12 month rental agreement to rent office space at this location for $1,400 per month. The sale resulted in a before tax gain of $1,312,839. Proceeds received from the sales were used to purchase and improve real property associated with the Company's new coil facility to be located in Decatur, Alabama.

In fiscal 2007, selling, general and administrative expenses declined $168,820 from the amount recorded in fiscal 2006. This decrease resulted primarily from a reduction in remuneration associated with a retired executive.

Interest and other income decreased $152,379 from the comparable amount recorded in fiscal 2006. This decrease was associated primarily with a decrease in the average invested cash positions and a loss on the disposal of assets in fiscal 2007.

Income taxes increased $236,777 from the comparable amount recorded during fiscal 2006. This increase was primarily related to the increase in earnings before income taxes. Effective tax rates were 36.0% and 35.5% in fiscal 2006 and 2007, respectively.

FINANCIAL CONDITION, LIQUIDITY AND SOURCES OF CAPITAL

The Company remained in a strong, liquid position at March 31, 2008. Current ratios were 3.34 and 2.22 at March 31, 2008 and March 31, 2007, respectively. Working capital was $34,638,228 at March 31, 2008 and $28,464,786 at March 31, 2007.

During the year ended March 31, 2008, the Company maintained assets and liabilities at levels it believed were commensurate with operations. Changes in balance sheet amounts 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.

During the year ended March 31, 2008, the Company purchased approximately $4,439,000 in fixed assets. These assets were related primarily to buildings and equipment associated with the new coil operation located in Decatur, Alabama, which is expected to be in full production by August 2008. In connection with this new operation, in fiscal 2007 the Company phased out LSCF and redeployed certain LSCF assets to the Decatur processing facility. The Decatur processing facility will operate a steel temper mill and a cut-to-length line including a leveling line. In addition to the funds used to purchase the real property in Alabama in March 2006, the Company's Board of Directors authorized up to an additional $16 million to be used for capital expenditures and operational cash requirements related to the Decatur facility. The estimated cost to complete this facility is approximately $600,000.

In September 2006, the Company sold the real property owned by the Company in Houston, Texas and signed a rental agreement to rent corporate office space at this location for $1,400 per month. This sale resulted in a before tax gain of $1,312,839. Proceeds received from the sale were used to purchase and improve real property associated with the Company's new coil operation located in Decatur, Alabama.

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, 2010, the Company may borrow up to $10 million at an interest rate of the bank's prime rate or 1.5% over LIBOR. The revolving facility requires that the Company maintain a tangible net worth as adjusted of $33,000,000, maintain a working capital ratio of 2 to 1 and maintain a debt to equity ratio of 1.1 to 1. No collateral is required pursuant to the revolving facility. The Company uses the revolving facility to support cash flows and borrows and repays funds as working capital is required. At March 31, 2008, the Company owed $6,600,000 pursuant to the revolving facility. Proceeds of these loans were used to support cash flows related primarily to accounts payable. The loans were subsequently paid in full in April 2008 and May 2008. At March 31, 2007, 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 flows 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	$ 6,721,564	$ 54,028	$ 6,667,536	$ —	$ —
Capital lease obligations	—	—	—	—	—
Operating lease obligations	159,692	36,849	90,252	30,084	2,507
Total	$ 6,881,256	$ 90,877	$ 6,757,788	$ 30,084	$ 2,507

Long-term debt obligations are primarily related to borrowings pursuant to the revolving facility and were paid in full in April 2008 and May 2008.

INFLATION

During fiscal 2008, the Company believes that the general level of inflation had little effect on its operations.

CRITICAL ACCOUNTING POLICIES

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

FORWARD-LOOKING STATEMENTS

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

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									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Net sales	**$ 178,785,110**	$ 199,726,619	$ 181,900,351	$ 188,022,253	$ 116,158,567	$ 106,082,738	$ 97,817,956	$ 120,395,583	$ 120,267,809	$ 124,719,640
Net earnings	**$ 4,465,127**	$ 7,018,318(1)	$ 6,453,888	$ 6,246,043	$ 2,535,991	$ 1,432,017	$ 940,039	$ 2,927,582	$ 2,506,801	$ 3,540,811
Current assets	**$ 49,422,594**	$ 51,731,369	$ 47,551,003	$ 43,498,759	$ 37,829,701	$ 34,769,500	$ 35,806,988	$ 40,231,329	$ 36,945,378	$ 32,534,040
Current liabilities	**$ 14,784,366**	$ 23,266,583	$ 18,383,193	$ 14,959,516	$ 12,639,763	$ 11,035,388	$ 10,797,106	$ 12,271,802	$ 8,377,279	$ 6,758,038
Working capital	**$ 34,638,228**	$ 28,464,786	$ 29,167,810	$ 28,539,243	$ 25,189,938	$ 23,734,112	$ 25,009,882	$ 27,959,527	$ 28,568,099	$ 25,776,002
Total assets	**$ 66,958,392**	$ 65,871,706	$ 55,930,889	$ 50,796,342	$ 46,028,123	$ 42,778,926	$ 43,986,455	$ 48,010,512	$ 45,106,790	$ 41,023,377
Stockholders' equity	**$ 44,956,741**	$ 42,109,998	$ 37,097,335	$ 35,354,550	$ 33,031,604	$ 31,246,751	$ 30,491,351	$ 30,378,150	$ 28,622,951	$ 27,422,779
Net earnings as a percent of										
Net sales	**2.5**	3.5	3.5	3.3	2.2	1.3	1.0	2.4	2.1	2.8
Stockholders' equity	**9.9**	16.7	17.4	17.7	7.7	4.6	3.1	9.6	8.8	12.9
Weighted average number of common shares outstanding: Basic(2)	**6,733,942**	6,685,577	7,072,637	7,418,410	7,574,070	7,572,239	7,571,239	7,568,839	7,547,624	7,528,702
Per share										
Net earnings per share:										
Basic	**$ 0.66**	$ 1.05(1)	$ 0.91	$ 0.84	$ 0.33	$ 0.19	$ 0.12	$ 0.39	$ 0.33	$ 0.47
Stockholders' equity(2)	**$ 6.68**	$ 6.30	$ 5.25	$ 4.77	$ 4.36	$ 4.13	$ 4.03	$ 4.01	$ 3.79	$ 3.64
Cash dividends per common share	**$ 0.27**	$ 0.34	$ 0.32	$ 0.29	$ 0.10	$ 0.09	$ 0.11	$ 0.16	$ 0.18	$ 0.25
Stock dividend declared	**—**	—	—	—	—	—	—	—	5%	5%

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

(2) Adjusted for stock dividends.

FRIEDMAN INDUSTRIES, INCORPORATED

CODE OF CONDUCT AND ETHICS

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

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

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

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

Failure to notify the Chief Executive Officer, the President, the Senior Vice President — Finance or the Chairman of the Audit Committee of any violation or potential violation is 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
FRIEDMAN/DECATUR, L.L.C.	Alabama Limited Liability Company	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 25, 2008, with respect to the consolidated financial statements of Friedman Industries, Incorporated as of March 31, 2008 and the year then ended included in the 2008 Annual Report to Shareholders of Friedman Industries, Incorporated.

Our audit also included the financial statement schedule of Friedman Industries, Incorporated listed in Item 15(a). This schedule is the responsibility of Friedman Industries, Incorporated management. Our responsibility is to express an opinion based on our audit. In our opinion, as to which the date is June 25, 2008, the financial statement schedule referred to above, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We 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 25, 2008, 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/ Hein & Associates LLP

Houston, Texas
June 25, 2008

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 25, 2007, with respect to the consolidated financial statements of Friedman Industries, Incorporated as of March 31, 2007 and the year then ended included in the 2007 Annual Report to Shareholders of Friedman Industries, Incorporated.

Our audit 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 audit. In our opinion, as to which the date is June 25, 2007, 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 25, 2007, 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/ MALONE & BAILEY, PC

Houston, Texas
June 25, 2008

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 25, 2008

I, William E. Crow, certify that:

1. I have reviewed this report on Form 10-K of Friedman Industries, Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Dated: June 27, 2008

/s/ WILLIAM E. CROW

Chief Executive Officer and President

EXHIBIT 31.2

I, Ben Harper certify that:

1. I have reviewed this report on Form 10-K of Friedman Industries, Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Dated: June 27, 2008

/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, 2008, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, William E. Crow, Chief Executive Officer and President of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the 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 and President

Dated: June 27, 2008

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, 2008, 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, 2008