

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

- Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended March 31, 2017
- Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____

Commission File No. 1-7521

FRIEDMAN INDUSTRIES, INCORPORATED
(Exact name of registrant as specified in its charter)

Texas
(State or other jurisdiction of
incorporation or organization)

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

1121 Judson Road Suite 124, Longview, TX
(Address of principal executive offices)

75601
(Zip Code)

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

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

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

**Name of each exchange
on which registered**
NYSE MKT

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

None

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

Yes _____ No X

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

Yes _____ No X

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

Yes X No _____

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

Yes X No _____

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

X

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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)
Emerging growth company ()

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, 2016 (computed by reference to the closing price on such date) was approximately \$36,313,000.

The number of shares of the registrant's Common Stock outstanding at June 29, 2017 was 7,009,444 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Annual Report to Shareholders of Friedman Industries, Incorporated for the fiscal year ended March 31, 2017 — Part II.

Proxy Statement for the 2017 Annual Meeting of Shareholders of Friedman Industries, Incorporated — Part III.

PART I

Item 1. Business

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

The Company has two product groups: coil and tubular products. Significant financial information relating to the Company’s product groups for the last two years is contained in Note 7 of the Consolidated Financial Statements included in the Company’s Annual Report to Shareholders for the fiscal year ended March 31, 2017, which financial statements are incorporated herein by reference in Item 8 hereof.

Coil Products

The Company purchases prime 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 other processors of hot-rolled steel coils.

The Company owns and operates two coil processing facilities located in Hickman, Arkansas (“Hickman”) and Decatur, Alabama (“Decatur”). Each facility operates a cut-to-length line and a steel temper mill. The cut-to-length lines are designed to level the steel and cut the material to prescribed lengths. The steel temper mills are designed to improve the flatness of the steel and its surface qualities. The Company’s processing machinery is heavy, mill-type equipment capable of processing 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.

The Hickman and Decatur facilities are functionally equivalent with respect to machinery, equipment, capacities and products produced. The Company makes shipments of coil products based on which facility offers the desired product or, if the product is available at both facilities, based on other factors, such as customer location, freight conditions and the ability of the facility to fulfill the order on a timely basis.

The Company also purchases and markets non-standard hot-rolled steel coils through its XSCP Division (“XSCP”). XSCP routinely processes non-standard coils into flat, finished sheet and plate. XSCP operates from the Company’s Hickman and Decatur coil processing facilities and shares certain expenses and employees with Hickman and Decatur. In addition, Hickman and Decatur provide warehousing, processing and distribution services to XSCP.

The Hickman and Decatur processing facilities are located in close proximity to steel mills operated by Nucor Steel Company (“NSC”). The Company purchases a significant amount of its hot-rolled steel coils from these NSC mills. Loss of NSC as a source of coil supply could have a material adverse effect on the Company’s business.

The Company also processes customer-owned coils on a fee basis. Revenues generated from processing customer-owned coils are not material to the Company’s results of operations and financial condition.

Tubular Products

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

TTP operates two Electric Resistance Welded (“ERW”) pipe mills. Both pipe mill #1 and pipe mill #2 are American Petroleum Institute (“API”) licensed to manufacture line and oil country pipe and also manufacture pipe for structural purposes that meets other recognized industry standards. Pipe mill #1 focuses on producing ERW pipe with outside diameters (“OD”) of 6 5/8” and 8 5/8”. Pipe mill #2 is capable of producing ERW pipe with OD ranging from 2 3/8” to 5 9/16” with the majority of production focusing on OD of 4 1/2”, 5 1/2” and 5 9/16”. TTP also employs various pipe processing equipment, including beveling machines, pipe handling equipment and other related machinery.

Subsequent to fiscal year-end, in May 2017, TTP placed into service its newly constructed pipe-finishing facility. The facility threads and couples oil country tubular goods (“OCTG”) and performs other processing and testing services that are customary in the OCTG finishing process. The facility focuses on threading semi-premium connections but is also licensed to thread API connections.

U.S. Steel Tubular Products, Inc. (“USS”) has been the primary supplier of new mill reject pipe to the Company and a significant customer of the Company’s manufactured tubular products used in the energy business. Historically, the Company’s manufactured tubular products sold to USS were produced from coil material purchased from USS. Sales of tubular products to USS have declined in recent years and in fiscal 2017 no sales were recorded to USS. Management believes the downward trend is a direct impact of the increased presence of low-priced imported material and a recent recession in the U.S. energy business. The Company is unable to provide an estimate of the timing or quantity of future pipe orders from USS. In March 2016, USS announced it was temporarily idling pipe production at its Lone Star Tubular Operations facility due to weak market conditions. In December 2016, USS announced plans to permanently idle its #1 welded pipe mill at the Lone Star facility. In May 2017, USS resumed production at its Lone Star facility’s #2 welded pipe mill. The Company expects the volume and size range of new mill reject pipe supply from USS to be reduced given the permanent idling of the Lone Star facility’s #1 pipe mill. The Company continues to manufacture pipe for sale to customers other than USS and sources coil material for this pipe production from domestic steel mills other than USS. Accordingly, the Company does not believe the idling of any USS facility will impact the ability of the Company to receive adequate coil supply for pipe manufacturing demands. Loss of USS as a supplier or customer could have a material adverse effect on the Company’s business. The Company can make no assurances as to orders from USS or the amounts of pipe and coil material that will be available from USS in the future.

Marketing

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

Product and Service Groups	2017	2016
Coil Products	83%	81%
Tubular Products	17%	19%

Coil Products. The Company sells coil products and processing services to approximately 150 customers located primarily in the midwestern, southwestern and southeastern regions of the United States. The Company’s principal customers for these products and services are steel distributors and customers fabricating steel products such as storage tanks and containers, steel buildings, construction equipment, transportation equipment, and other similar products. During the fiscal years ended March 31, 2017 and 2016, sales of coil products to Trinity Industries, Inc. accounted for approximately 28% and 35% of the Company’s total sales, respectively.

The Company sells substantially all of its coil products through its own sales force. At March 31, 2017, the sales force was comprised of the Vice President – Coil Sales and two professional sales personnel under the direction of the Senior Vice President — Sales and Marketing. Sales personnel are paid on a salary and commission basis.

Tubular Products. The Company sells its tubular products nationally to approximately 110 customers. The Company’s principal customers for these products are steel and pipe distributors. In fiscal years 2017 and 2016, no individual tubular customer accounted for 10% or more of the Company’s total sales.

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

Competition

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

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

Employees

At March 31, 2017, the Company had 80 full-time employees and 2 part-time employees.

Executive Officers of the Company

The following table sets forth as of March 31, 2017, for each executive officer of the Company, the name, age, officer positions and arrangements with other persons regarding his selection as an officer, if any, and the period during which such officer has served in such capacity:

Name	Age	Position, Offices with the Company and Other Arrangements, if any
William E. Crow (1)	69	Chief Executive Officer since 2006; formerly President from 1995 to 2016; formerly Chief Operating Officer since 1995; Vice President since 1981 and President of Texas Tubular Products Division since August 1990
Robert Sparkman (2)	61	President and Chief Operating Officer since 2016; formerly Senior Vice President — Operations since 2015; formerly Vice President of Sales — Coil Division since 2002
Thomas Thompson	66	Senior Vice President — Sales and Marketing since 1995; formerly Vice President — Sales since 1990
Alex LaRue	31	Vice President — Secretary and Treasurer since 2014; formerly Assistant Vice President — Secretary and Treasurer since 2013; formerly Controller — Texas Tubular Products since 2011

(1) As previously disclosed on Form 8-K, effective April 1, 2017, Mr. Crow retired as Chief Executive Officer but will continue to be involved with the Company on a consulting basis.

(2) As previously disclosed on Form 8-K, on April 1, 2017, Mr. Sparkman began serving as President and Chief Executive Officer of the Company.

Item 1A. Risk Factors

Not required.

Item 1B. Unresolved Staff Comments

Not required.

Item 2. Properties

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

<u>Location</u>	<u>Approximate Size</u>	<u>Ownership</u>
Lone Star, Texas		
Plant — Texas Tubular Products	161,000 sq. feet	Owned(1)
Offices — Texas Tubular Products	12,200 sq. feet	Owned(1)
Land — Texas Tubular Products	122.4 acres	Owned(1)
Longview, Texas		
Offices	2,600 sq. feet	Leased(2)
Hickman, Arkansas		
Plant and Warehouse — Coil Products	42,600 sq. feet	Owned(1)
Offices — Coil Products	2,500 sq. feet	Owned(1)
Land — Coil Products	26.2 acres	Owned(1)
Decatur, Alabama		
Plant and Warehouse — Coil Products	48,000 sq. feet	Owned(1)
Offices — Coil Products	2,000 sq. feet	Owned(1)
Land — Coil Products	47.3 acres	Owned(1)

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

(2) The office lease is with a non-affiliated party, expires on April 30, 2018, and provides for an annual rental payment by the Company of \$32,736.

Item 3. Legal Proceedings

The Company is a class member of steel antitrust class action litigation brought against certain steel manufacturers in the United States District Court for the Northern District of Illinois. The litigation was initiated by several complaints filed in September and October of 2008 alleging the defendants conspired, in violation of the U.S. antitrust laws, to restrict their output and therefore raise or fix the prices for steel products sold for delivery in the United States between April 1, 2005 and December 31, 2007. The plaintiffs sought monetary and other relief on behalf of themselves and the class. A portion of the defendants reached settlements in 2014 totaling \$163,900,000 and the Company received settlement proceeds of \$316,310 in fiscal 2016 related to this settlement. A settlement was reached with the remaining defendants in February 2017 totaling \$30,000,000. It is not yet known when the settlement proceeds will be distributed and the Company is unable to estimate the amount of settlement proceeds to be received.

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

PART II

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

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

Reference is hereby made to the sections of the Company's Annual Report to Shareholders for the fiscal year ended March 31, 2017, entitled "Description of Business — Range of High and Low Sales Prices of Common Stock" and "Description of Business — Cash Dividends Declared Per Share of Common Stock", which sections are hereby incorporated herein by reference.

The approximate number of shareholders of record of Common Stock of the Company as of May 26, 2017 was 230.

Item 6. Selected Financial Data

Not required.

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

Information with respect to Item 7 is hereby incorporated herein by reference from the section of the Company's Annual Report to Shareholders for the fiscal year ended March 31, 2017, entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Not required.

Item 8. Financial Statements and Supplementary Data

The following financial statements and notes thereto of the Company included in the Company's Annual Report to Shareholders for the fiscal year ended March 31, 2017, are hereby incorporated herein by reference:

Consolidated Balance Sheets — March 31, 2017 and 2016

Consolidated Statements of Operations — Years ended March 31, 2017 and 2016

Consolidated Statements of Stockholders' Equity — Years ended March 31, 2017 and 2016

Consolidated Statements of Cash Flows — Years ended March 31, 2017 and 2016

Notes to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

Information with respect to supplementary financial information relating to the Company appears in Note 8 — Summary of Quarterly Results of Operations (Unaudited) of the Notes to Consolidated Financial Statements incorporated herein by reference above in this Item 8 from the Company's Annual Report to Shareholders for the fiscal year ended March 31, 2017.

The following supplementary schedule for the Company for the year ended March 31, 2017, is included elsewhere in this report:

Schedule II — Valuation and Qualifying Accounts

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

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

None.

Item 9A. Controls and Procedures*Evaluation of Disclosure Controls and Procedures*

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

Internal Control Over Financial Reporting

Management's report on internal control over financial reporting appears on page 17 of the Company's Annual Report to Shareholders for the year ended March 31, 2017, which is incorporated herein by reference. This Annual Report on Form 10-K does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to the rules of the SEC that permit the Company to provide only management's report in this Annual Report.

There were no changes in the Company's internal control over financial reporting that occurred during the fiscal quarter ended March 31, 2017 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Except as otherwise set forth below, information with respect to Item 10 is hereby incorporated herein by reference from the Company's proxy statement in respect of the 2017 Annual Meeting of Shareholders, definitive copies of which are expected to be filed with the SEC on or before 120 days after the end of the Company's 2017 fiscal year.

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

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

Item 11. Executive Compensation

Information with respect to Item 11 is hereby incorporated herein by reference from the Company's proxy statement in respect of the 2017 Annual Meeting of Shareholders, definitive copies of which are expected to be filed with the SEC on or before 120 days after the end of the Company's 2017 fiscal year.

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

Equity Compensation Plan Information

The disclosure required pursuant to Item 201(d) of Regulation S-K is hereby incorporated herein by reference from the Company's proxy statement in respect of the 2017 Annual Meeting of Shareholders, definitive copies of which are expected to be filed with the SEC on or before 120 days after the end of the Company's 2017 fiscal year.

Additional information with respect to Item 12 regarding equity compensation plan information relating to the Company is hereby incorporated herein by reference from Note 2 — Equity Compensation Plans and Capital Stock included in the Notes to Consolidated Financial Statements of the Company included in the Company's Annual Report to Shareholders for the fiscal year ended March 31, 2017.

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 2017 Annual Meeting of Shareholders, definitive copies of which are expected to be filed with the SEC on or before 120 days after the end of the Company's 2017 fiscal year.

Item 13. Certain Relationships, Related Transactions and Director Independence

Information with respect to Item 13 is hereby incorporated herein by reference from the Company's proxy statement in respect of the 2017 Annual Meeting of Shareholders, definitive copies of which are expected to be filed with the SEC on or before 120 days after the end of the Company's 2017 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 2017 Annual Meeting of Shareholders, definitive copies of which are expected to be filed with the SEC on or before 120 days after the end of the Company's 2017 fiscal year.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Documents included in this report

1. Financial Statements

The following financial statements and notes thereto of the Company are included in the Company's Annual Report to Shareholders for the fiscal year ended March 31, 2017, which is incorporated herein by reference:

Consolidated Balance Sheets — March 31, 2017 and 2016

Consolidated Statements of Operations — Years ended March 31, 2017 and 2016

Consolidated Statements of Stockholders' Equity — Years end March 31, 2017 and 2016

Consolidated Statements of Cash Flows — Years ended March 31, 2017 and 2016

Notes to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

2. Financial Statement Schedules

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

Schedule II — Valuation and Qualifying Accounts

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

3. Exhibits

Exhibit No.	Description
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Exhibit No.	Description
3.1	— Articles of Incorporation of the Company, as amended (incorporated by reference from Exhibit 3.1 to the Company's Form S-8 filed on December 21, 2016).
3.2	— Articles of Amendment to the Articles of Incorporation of the Company, as filed with the Texas Secretary of State on September 22, 1987 (incorporated by reference from Exhibit 3.1 to the Company's Form S-8 filed on December 21, 2016).
3.3	— Amended and Restated Bylaws of the Company (incorporated by reference from Exhibit 3.2 to the Company's Form S-8 filed on December 21, 2016).
**13.1	— The Company's Annual Report to Shareholders for the fiscal year ended March 31, 2017.
**14.1	— Friedman Industries, Incorporated Code of Conduct and Ethics.
**21.1	— List of Subsidiaries.
**23.1	— Consent of Hein & Associates LLP.
**31.1	— Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed by Robert Sparkman.
**31.2	— Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed by Alex LaRue.
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**101.CAL	— XBRL Calculation Linkbase Document.
**101.DEF	— XBRL Definition Linkbase Document.
**101.LAB	— XBRL Label Linkbase Document.
**101.PRE	— XBRL Presentation Linkbase Document.

** Filed herewith.

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: Alex LaRue, Vice President — Secretary and Treasurer, Friedman Industries, Incorporated, P.O. Box 2192, Longview, Texas 75606.

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS

FRIEDMAN INDUSTRIES, INCORPORATED

Column A	Column B	Column C		Column D	Column E
Description	Balance at Beginning of Period	Additions		Deductions— Describe(B)	Balance at End of Period
		Charged to Costs and Expenses	Charged to Other Accounts— Describe(A)		
Year ended March 31, 2017					
Allowance for doubtful accounts receivable and cash discounts (deducted from related asset account)	\$ 22,276	\$ —	\$ 307,932	\$ 302,932	\$ 27,276
Year ended March 31, 2016					
Allowance for doubtful accounts receivable and cash discounts (deducted from related asset account)	\$ 27,276	\$ 4,153	\$ 334,796	\$ 343,949	\$ 22,276

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

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

EXHIBIT INDEX

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**THE COMPANY'S ANNUAL
REPORT TO SHAREHOLDERS FOR
THE FISCAL YEAR ENDED MARCH 31, 2017**

**FRIEDMAN
INDUSTRIES,
INCORPORATED**

**2017
ANNUAL REPORT**

FINANCIAL HIGHLIGHTS

	2017	2016
Net sales	\$ 77,756,055	\$ 81,631,382
Net earnings (loss)	\$ (2,678,684)	\$ 294,000
Net earnings (loss) per share (Basic)	\$ (0.39)	\$ 0.04
Cash dividends per share	\$ 0.04	\$ 0.04
Stockholders' equity	\$ 60,356,425	\$ 63,239,047
Working capital	\$ 43,076,246	\$ 46,835,906

TO OUR SHAREHOLDERS:

Fiscal year 2017 proved to be extremely challenging and the Company regrets to report its first fiscal year loss in Company history. The Company recorded a net loss of \$2,678,684 (\$0.39 loss per share diluted) on sales of \$77,756,055 in fiscal 2017 compared to earnings of \$294,000 (\$0.04 earnings per share diluted) on sales of \$81,631,382 in fiscal 2016.

The Company's results for fiscal 2017 were negatively impacted by the prolonged downturn in the energy markets and the application of the LIFO method of accounting within the Company's coil segment.

Market conditions for the Company's products continue to be challenged by tepid demand in an oversupplied market for both tubular and coil products. Despite these challenges, the Company remains fiscally fit and has a strong working capital position. Managing operational requirements with changing market conditions continues to be a primary focus of management.

Subsequent to year end, the Company completed construction on the pipe-finishing facility located in Lone Star, Texas and commenced operations in May 2017.

William E. Crow retired from the Company as Chief Executive Officer on March 31, 2017. The Company expresses its deep appreciation for Mr. Crow's many years of valued and successful leadership.

You are invited to attend the Annual Meeting of Shareholders scheduled to start at 10:30 a.m. (Central Time) on Thursday, August 31, 2017, in the offices of Norton Rose Fulbright US LLP, 1301 McKinney, 51st Floor, Houston, Texas 77010.

Sincerely,



Robert Sparkman
President and Chief Executive Officer

OFFICERS

Robert Sparkman
President and Chief Executive Officer

Thomas N. Thompson
Senior Vice President — Sales and Marketing

Howard Henderson
Vice President of Operations — Texas Tubular Division

Jonathan Holcomb
Vice President of Sales — Coil Divisions

Alex LaRue
Vice President — Secretary and Treasurer

Robert McCain
Vice President — Decatur Facility

Dale Ray
Vice President

Steve Teeter
Vice President — Hickman Facility

Michael Thompson
Vice President of Sales — Tubular Division

Charles W. Hall
Assistant Secretary

COMPANY OFFICES AND WEB SITE

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

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

WEB SITES
www.friedmanindustries.com
www.texastubular.com

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

AUDITORS
Hein & Associates LLP
500 Dallas Street, Suite 2500
Houston, TX 77002

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

DIRECTORS

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

William E. Crow
Former Chief Executive Officer of the Company
Longview, Texas

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

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

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

Mike Taylor
Retired; formerly, President, Cargill Metals Supply Chain (steel processing and distribution)
Houston, Texas

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

ANNUAL REPORT ON FORM 10-K

Shareholders may obtain without charge a copy of the Company's Annual Report on Form 10-K for the year ended March 31, 2017 as filed with the U.S. Securities and Exchange Commission. Written requests should be addressed to: Alex LaRue, Vice President — Secretary and Treasurer, Friedman Industries, Incorporated, P.O. Box 2192, Longview, Texas 75606.

DESCRIPTION OF BUSINESS

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

At its coil processing facilities in Hickman, Arkansas ("Hickman") and Decatur, Alabama ("Decatur"), 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 other processors of hot-rolled steel coils. Each facility operates a cut-to-length line and a steel temper mill. The Company's XSCP Division ("XSCP") purchases and markets non-standard hot-rolled coils. XSCP routinely processes non-standard coils into flat, finished sheet and plate. XSCP operates at both Hickman and Decatur, which provide personnel, warehousing, processing and distribution services to XSCP. The Hickman and Decatur processing facilities are located in close proximity to steel mills operated by Nucor Steel Company ("NSC"). The Company purchases a significant amount of its hot-rolled steel coils from these NSC mills. Loss of NSC as a source of coil supply could have a material adverse effect on the Company's business. The Company also processes customer-owned coils on a fee basis. Revenues generated from processing customer-owned coils are not material to the Company's results of operations and financial condition.

The Company sells its coil products and processing services directly through the Company's own sales force to approximately 150 customers located primarily in the midwestern, southwestern and southeastern regions of the United States. These products and services are sold principally to steel distributors and to customers fabricating steel products such as storage tanks and containers, steel buildings, construction equipment, transportation equipment and other similar products.

The Company, through its Texas Tubular Products Division ("TTP") located in Lone Star, Texas, manufactures, purchases, processes and markets tubular products ("pipe"). TTP operates two pipe mills that are American Petroleum Institute ("API") licensed to manufacture line and oil country pipe and also manufacture pipe for structural purposes that meets other recognized industry standards. TTP also maintains an extensive inventory of new mill reject pipe. In May 2017, TTP placed into service its newly constructed pipe-finishing facility. The facility threads and couples oil country tubular goods ("OCTG") and performs other processing and testing services that are customary in the OCTG finishing process. The facility focuses on threading semi-premium connections but is also licensed to thread API connections.

The Company sells pipe nationally to approximately 110 customers. The Company's principal customers for these products are steel and pipe distributors.

U.S. Steel Tubular Products, Inc. ("USS") has been the primary supplier of new mill reject pipe to the Company and a significant customer of the Company's manufactured tubular products used in the energy business. Historically, the Company's manufactured tubular products sold to USS were produced from coil material purchased from USS. Sales of tubular products to USS have declined in recent years and in fiscal 2017 no sales were recorded to USS. Management believes the downward trend is a direct impact of the increased presence of low-priced imported material and a recent recession in the U.S. energy business. The Company is unable to provide an estimate of the timing or quantity of future pipe orders from USS. In March 2016, USS announced it was temporarily idling pipe production at its Lone Star Tubular Operations facility due to weak market conditions. In December 2016, USS announced plans to permanently idle its #1 welded pipe mill at the Lone Star facility. In May 2017, USS resumed production at their Lone Star facility's #2 welded pipe mill. The Company expects the volume and size range of new mill reject pipe supply from USS to be reduced given the permanent idling of the Lone Star facility's #1 pipe mill. The Company continues to manufacture pipe for sale to customers other than USS and sources coil material for this pipe production from domestic steel mills other than USS. Accordingly, the Company does not believe the idling of any USS facility will impact the ability of the Company to receive adequate coil supply for pipe manufacturing demands. Loss of USS as a supplier or customer could have a material adverse effect on the Company's business. The Company can make no assurances as to orders from USS or the amounts of pipe and coil material that will be available from USS in the future.

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

RANGE OF HIGH AND LOW SALES PRICES OF COMMON STOCK

	Fiscal 2017		Fiscal 2016	
	High	Low	High	Low
First Quarter	\$ 6.24	\$ 5.33	\$ 6.95	\$ 6.15
Second Quarter	5.93	5.22	6.73	5.62
Third Quarter	6.78	4.99	6.24	5.51
Fourth Quarter	7.27	6.11	5.88	4.35

CASH DIVIDENDS DECLARED PER SHARE OF COMMON STOCK

	Fiscal 2017		Fiscal 2016
First Quarter	\$.01	\$.01
Second Quarter	.01		.01
Third Quarter	.01		.01
Fourth Quarter	.01		.01

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

The approximate number of shareholders of record of the Company as of May 26, 2017 was 230.

CONSOLIDATED BALANCE SHEETS

ASSETS

	March 31	
	2017	2016
CURRENT ASSETS:		
Cash	\$ 1,461,695	\$ 2,796,762
Accounts receivable, net of allowances for bad debts and cash discounts of \$27,276 and \$22,276 at March 31, 2017 and 2016, respectively	8,939,051	4,822,386
Inventories	34,918,550	41,939,128
Other	113,540	143,380
TOTAL CURRENT ASSETS	<u>45,432,836</u>	<u>49,701,656</u>
PROPERTY, PLANT AND EQUIPMENT:		
Land	1,082,331	1,082,331
Buildings and yard improvements	7,111,735	7,111,735
Machinery and equipment	31,451,479	30,903,321
Construction in progress	9,451,972	9,200,799
Less accumulated depreciation	<u>(33,924,353)</u>	<u>(32,329,947)</u>
	15,173,164	15,968,239
OTHER ASSETS:		
Deferred income tax asset	1,165,950	408,502
Federal income taxes recoverable	913,347	—
Cash value of officers' life insurance and other assets	578,000	812,000
TOTAL ASSETS	<u>\$ 63,263,297</u>	<u>\$ 66,890,397</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31	
	2017	2016
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 2,003,661	\$ 2,476,699
Dividends payable	70,094	67,994
Contribution to retirement plan	42,000	43,500
Employee compensation and related expenses	240,835	277,557
TOTAL CURRENT LIABILITIES	<u>2,356,590</u>	<u>2,865,750</u>
POSTRETIREMENT BENEFITS OTHER THAN PENSIONS	550,282	785,600
TOTAL LIABILITIES	<u>2,906,872</u>	<u>3,651,350</u>
COMMITMENTS AND CONTINGENCIES (SEE NOTE 3)		
STOCKHOLDERS' EQUITY:		
Common stock, par value \$1:		
Authorized shares — 10,000,000		
Issued shares — 8,185,160 and 7,975,160 at March 31, 2017 and 2016, respectively	8,185,160	7,975,160
Additional paid-in capital	28,865,914	29,003,674
Treasury stock at cost (1,175,716 shares at March 31, 2017 and 2016, respectively)	<u>(5,475,964)</u>	<u>(5,475,964)</u>
Retained earnings	28,781,315	31,736,177
TOTAL STOCKHOLDERS' EQUITY	<u>60,356,425</u>	<u>63,239,047</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 63,263,297</u>	<u>\$ 66,890,397</u>

See accompanying notes.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended March 31	
	2017	2016
Net sales	\$ 77,756,055	\$ 81,631,382
Costs and expenses:		
Cost of products sold	77,947,677	76,937,738
Selling, general and administrative	4,018,199	4,670,273
	<u>81,965,876</u>	<u>81,608,011</u>
EARNINGS (LOSS) FROM OPERATIONS	(4,209,821)	23,371
Interest and other income	59,005	375,310
EARNINGS (LOSS) BEFORE INCOME TAXES	<u>(4,150,816)</u>	<u>398,681</u>
Provision for (benefit from) income taxes:		
Current	(714,684)	325,825
Deferred	(757,448)	(221,144)
	<u>(1,472,132)</u>	<u>104,681</u>
NET EARNINGS (LOSS)	<u>\$ (2,678,684)</u>	<u>\$ 294,000</u>
Weighted average number of common shares outstanding:		
Basic	6,851,944	6,799,444
Diluted	6,851,944	6,799,444
Net earnings (loss) per share:		
Basic	\$ (0.39)	\$ 0.04
Diluted	\$ (0.39)	\$ 0.04

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings
BALANCE AT MARCH 31, 2015	\$ 7,975,160	\$ 29,003,674	\$ (5,475,964)	\$ 31,714,155
Net earnings	—	—	—	294,000
Cash dividends (\$0.04 per share)	—	—	—	(271,978)
BALANCE AT MARCH 31, 2016	7,975,160	29,003,674	(5,475,964)	31,736,177
Net loss	—	—	—	(2,678,684)
Issuance of restricted stock	210,000	(137,760)	—	—
Cash dividends (\$0.04 per share)	—	—	—	(276,178)
BALANCE AT MARCH 31, 2017	<u>\$ 8,185,160</u>	<u>\$ 28,865,914</u>	<u>\$ (5,475,964)</u>	<u>\$ 28,781,315</u>

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended March 31	
	2017	2016
OPERATING ACTIVITIES		
Net earnings (loss)	\$ (2,678,684)	\$ 294,000
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:		
Depreciation	1,594,406	1,673,721
Deferred taxes	(757,448)	(221,144)
Compensation expense for restricted stock	72,240	—
Change in post-retirement benefits other than pensions	57,682	78,712
Changes in operating assets and liabilities:		
Accounts receivable, net	(4,116,665)	2,073,800
Inventories	7,020,578	(1,088,462)
Federal income taxes recoverable	(913,347)	—
Other	29,840	1,199
Accounts payable and accrued expenses	(473,038)	328,144
Employee compensation and related expenses	(36,722)	(106,005)
Contribution to retirement plan	(1,500)	(7,500)
Net cash provided by (used in) operating activities	(202,658)	3,026,465
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(799,331)	(2,124,649)
Increase in cash value of officers' life insurance	(59,000)	(59,000)
Net cash used in investing activities	(858,331)	(2,183,649)
FINANCING ACTIVITIES		
Cash dividends paid	(274,078)	(271,978)
Net cash used in financing activities	(274,078)	(271,978)
Increase (decrease) in cash	(1,335,067)	570,838
Cash at beginning of year	2,796,762	2,225,924
Cash at end of year	\$ 1,461,695	\$ 2,796,762

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REVENUE RECOGNITION: Revenue from sales of products is recognized at the time that title and the risks and rewards of ownership pass, which is on the date of shipment. This date is when the terms of customers’ arrangements are met, the sales price is fixed or determinable and collection is reasonably assured.

TRADE RECEIVABLES: The Company’s receivables are recorded when billed, advanced or accrued and represent claims against third parties that will be settled in cash. The carrying value of the Company’s receivables, net of the allowance for doubtful accounts and cash discounts allowed, represents their estimated net realizable value. The Company estimates its allowance for doubtful accounts based on historical collection trends, the age of outstanding receivables and existing economic conditions. Trade receivables are generally considered past due after 30 days from invoice date. Past-due receivable balances are written-off when the Company’s internal collection efforts have been unsuccessful in collecting the amount due. The balance of the Company’s allowance for doubtful accounts was \$7,276 at both March 31, 2017 and March 31, 2016.

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 raw materials and tubular inventory consists of both raw materials and finished goods. Cost for prime coil inventory is determined under the last-in, first-out (“LIFO”) method. The Company’s LIFO reserve was approximately \$5,593,000 and \$2,000,500 at March 31, 2017 and 2016, respectively. The LIFO reserve signifies the difference between LIFO value used for financial reporting and the value under weighted average cost used for the Company’s internal perpetual inventory records. Cost for non-standard coil inventory is determined using the specific identification method. Cost for tubular inventory is determined using the weighted average method. LIFO inventories are valued at the lower of cost or market. All other inventories are valued at the lower of cost or net realizable value. Obsolete or slow-moving inventories are not significant based on the Company’s review of inventories. Accordingly, no allowance has been provided for such items.

The following is a summary of inventory by product group:

	March 31	
	2017	2016
Prime coil inventory	\$ 8,481,605	\$ 14,168,626
Non-standard coil inventory	1,119,170	992,163
Tubular raw material	1,480,730	1,566,048
Tubular finished goods	23,837,045	25,212,291
	\$ 34,918,550	\$ 41,939,128

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

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

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The Company assesses recoverability by comparing the carrying amount of the asset to estimated undiscounted future cash flows expected to be generated by the asset. If an asset is considered impaired, the impairment loss to be recognized is measured as the amount by which the asset’s carrying amount exceeds its fair value. Long-lived assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell. No impairments were necessary at March 31, 2017 or 2016.

Maintenance and repairs are expensed as incurred.

POSTRETIREMENT BENEFITS OTHER THAN PENSIONS: The Company maintains life insurance policies on each officer. From time to time and in its discretion, the Board of Directors of the Company has approved the transfer of the applicable policy to an officer upon their retirement. The Company's accrued liability for these potential future transfers was \$550,282 and \$785,600 at March 31, 2017 and March 31, 2016, respectively. The transfer of a life insurance policy to an officer is a noncash transaction.

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

SUPPLEMENTAL CASH FLOW INFORMATION: The Company paid no interest in fiscal 2017 or 2016. The Company paid income taxes of approximately \$13,500 and \$381,000 in fiscal 2017 and 2016, respectively. Noncash financing activity consisted of accrued dividends of \$70,094 and \$67,994 in fiscal 2017 and 2016, respectively. There were noncash transactions of \$293,000 and \$383,000 in fiscal 2017 and 2016, respectively, for the transfer of ownership of life insurance policies from the Company to officers upon their retirement.

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

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

USE OF ESTIMATES: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Significant estimates that are subject to the Company's assumptions include valuation of LIFO inventories in the Company's quarterly reporting and determination of the allowance for doubtful accounts. Valuation of LIFO inventories in the Company's quarterly reporting requires estimates of the year end quantities, which is inherently difficult. The allowance for doubtful accounts requires the Company to draw conclusions on the future collectability of the Company's accounts receivable. Actual results could differ from these estimates.

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

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

ECONOMIC RELATIONSHIP: Nucor Steel Company and USS 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. Historically, USS has been the primary supplier of new mill reject pipe to the Company. In March 2016, USS announced it was temporarily idling pipe production at its Lone Star Tubular Operations facility due to weak market conditions. In December 2016, USS announced plans to permanently idle its #1 welded pipe mill at the Lone Star facility. In May 2017, USS resumed production at their Lone Star facility's #2 welded pipe mill. The Company expects the volume and size range of new mill reject pipe supply from USS to be reduced given the permanent idling of the Lone Star facility's #1 pipe mill. Sales of coil products to Trinity Industries, Inc. accounted for approximately 28% and 35% of total Company sales in fiscal 2017 and 2016, respectively. No other customers accounted for 10% or more of total sales in the two years ended March 31, 2017. Loss of Trinity as a customer could have a material adverse effect on the Company's business.

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

NEW ACCOUNTING PRONOUNCEMENTS: In the fourth quarter of fiscal 2017, the Company adopted Accounting Standards Update No. 2016-09, Compensation – Stock Compensation (“ASU 2016-09”). ASU 2016-09 provides new accounting guidance that amends the accounting for employee share-based payment transactions. This new standard requires income statement recognition of all tax effects, including all excess tax benefits and tax deficiencies, resulting from the settlement of share-based awards in the reporting period in which they occur. The standard also requires that all tax-related cash flows resulting from share-based payments, including the excess tax benefits and tax deficiencies related to the settlement of stock-based awards, be classified as cash flows from operating activities, and that cash paid by directly withholding shares for tax purposes be classified as a financing activity in the statement of cash flows. The standard also allows companies to make an accounting policy election to either estimate the number of awards that are expected to vest, consistent with current guidance, or account for forfeitures as they occur. The Company elects to account for forfeitures as they occur. All aspects of this guidance is applied prospectively for the Company beginning on January 1, 2017 given that the Company had no outstanding equity based compensation as of January 1, 2017. The adoption of this guidance did not have a material effect on the Company’s consolidated financial statements.

In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2016-15, Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments (“ASU 2016-15”). ASU 2016-15 eliminates the diversity in practice related to the classification of certain cash receipts and payments in the statement of cash flows by adding or clarifying guidance on eight specific cash flow issues. This new guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The Company is evaluating the impact that adoption of the provisions of ASU 2016-15 will have on its consolidated financial statements but does not expect a material impact.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, Leases (“ASU 2016-02”). ASU 2016-02 establishes a new lease accounting standard that requires lessees to recognize a right of use asset and related lease liability for most leases having lease terms of more than 12 months. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases. This new guidance is effective for annual and interim periods beginning after December 15, 2018, but can be early adopted. The Company is evaluating the impact that adoption of the provisions of ASU 2016-02 will have on its consolidated financial statements but does not expect a material impact.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (“ASU 2014-09”). ASU 2014-09 states that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This update also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments, and assets recognized from costs incurred to obtain or fulfill a contract. The update supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 is effective for interim and annual periods beginning after December 15, 2016; early application is not permitted. In August 2015, the FASB issued Accounting Standards Update No. 2015-14, Revenue from Contracts with Customers - Deferral of the Effective Date (“ASU 2015-14”). ASU 2015-14 defers the effective date of ASU 2014-09 to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period, and only permits entities to adopt the standard one year earlier as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The Company is evaluating the impact that adoption of the provisions of ASU 2014-09 will have on its consolidated financial statements but does not expect a material impact.

2. EQUITY COMPENSATION PLANS AND CAPITAL STOCK

On September 1, 2016, the Friedman Industries, Incorporated 2016 Restricted Stock Plan (the “Plan”) was approved by the Company’s shareholders. On December 21, 2016, the Company filed a Form S-8 Registration Statement with the U.S. Securities and Exchange Commission related to the Plan. The Plan is administered by the Compensation Committee (the “Committee”) of the Board of Directors (the “Board”) and continues indefinitely until terminated by the Board or until all shares allowed by the Plan have been awarded and earned. The aggregate number of shares of the Company’s Common Stock eligible for award under the Plan is 500,000 shares. Subject to the terms and provisions of the Plan, the Committee may, from time to time, select the employees to whom awards will be granted and shall determine the amount and applicable restrictions of each award. Forfeitures are accounted for upon their occurrence.

Restricted stock awards totaling 210,000 shares were granted on January 4, 2017 with five year cliff vesting restrictions (i.e., vesting for 100% of the awarded shares occurs only upon January 4, 2022). No other shares have been awarded under the Plan. The grant date fair value of the awarded shares is \$1,444,800 and will be recognized as compensation expense over the 60 month requisite service period. The Company recorded compensation expense of \$72,240 in fiscal 2017 relating to stock awards issued under the Plan. In fiscal 2016, the Company maintained no equity compensation plans.

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, 2017 or March 31, 2016.

3. COMMITMENTS AND CONTINGENCIES

The Company is obligated under a noncancelable operating lease for its Longview, Texas office space, which expires April 30, 2018. The following is a schedule of future minimum annual rental payments for the next five years required under this operating lease as of March 31, 2017:

2018	\$	32,736
2019		2,728
2020		—
2021		—
2022		—
Total	\$	<u>35,464</u>

The Company's lease of office space in Humble, Texas expired during fiscal 2017 and was not renewed. Rental expenses for leased properties were approximately \$64,400 and \$70,500 during fiscal 2017 and 2016, respectively.

4. EARNINGS PER SHARE

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

	Year Ended March 31	
	2017	2016
Basic		
Net earnings (loss)	\$ (2,678,684)	\$ 294,000
Weighted average common shares	<u>6,851,944</u>	<u>6,799,444</u>
Dilutive		
Net earnings (loss)	\$ (2,678,684)	\$ 294,000
Weighted average common shares and common share equivalents	<u>6,851,944</u>	<u>6,799,444</u>

5. INCOME TAXES

Components of tax expense (benefit) are as follows:

	Year Ended March 31	
	2017	2016
Federal		
Current	\$ (714,684)	\$ 274,947
Deferred	<u>(644,865)</u>	<u>(221,144)</u>
	(1,359,549)	53,803
State		
Current	—	50,878
Deferred	<u>(112,583)</u>	<u>—</u>
	(112,583)	50,878
Total	<u>\$ (1,472,132)</u>	<u>\$ 104,681</u>

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

	Year Ended March 31	
	2017	2016
Income tax expense (benefit) at U.S. federal statutory rate	(34.0%)	34.0%
Benefit of tax deduction allowed to manufacturing companies	—	(6.6)
Current year state and local income taxes net of federal income tax benefit	(1.7)	8.4
Other	0.2	(9.5)
Provision for (benefit from) income taxes	<u>(35.5%)</u>	<u>26.3%</u>

The Company's tax returns may be subject to examination by the Internal Revenue Service for the fiscal years ended March 31, 2014 through March 31, 2016. State and local returns may be subject to examination for fiscal years ended March 31, 2013 through March 31, 2016.

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

	March 31	
	2017	2016
Deferred tax liabilities:		
Depreciation	\$ (507,970)	\$ (871,665)
Total deferred tax liabilities	<u>(507,970)</u>	<u>(871,665)</u>
Deferred tax assets:		
Inventory capitalization	166,979	179,956
LIFO Inventory	783,645	783,645
Postretirement benefits other than pensions	187,096	267,104
Net operating loss carryforward - Federal	343,729	—
Net operating loss carryforward - State	112,583	—
Other	79,888	49,462
Total deferred tax assets	<u>1,673,920</u>	<u>1,280,167</u>
Net deferred tax asset	<u>\$ 1,165,950</u>	<u>\$ 408,502</u>

6. RETIREMENT PLAN

The Company maintains the Friedman Industries, Inc. Employees' Retirement and 401(k) Plan (the "Plan"). Employees fully vest in the Plan upon six years of service.

The retirement portion of the Plan covers substantially all employees, including officers. The Company's contribution expenses, which are determined at the discretion of the Board of Directors in an amount not to exceed 15% of the total compensation paid during the year to all eligible employees, were \$170,000 for the year ended March 31, 2017, and \$180,000 for the year ended March 31, 2016. 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 \$32,000 and \$40,000 for the years ended March 31, 2017 and 2016, 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. The Company's coil operations involve converting steel coils into flat sheet and plate steel cut to customer specifications and reselling steel coils. Through its tubular operations, the Company purchases, processes, manufactures and markets tubular products. The following is a summary of significant financial information relating to the product groups:

	Year Ended March 31	
	2017	2016
NET SALES:		
Coil	\$ 64,641,805	\$ 66,114,148
Tubular	13,114,250	15,517,234
TOTAL NET SALES	<u>\$ 77,756,055</u>	<u>\$ 81,631,382</u>
OPERATING PROFIT (LOSS):		
Coil	\$ (770,091)	\$ 5,098,322
Tubular	(1,438,088)	(3,097,409)
TOTAL OPERATING PROFIT (LOSS)	<u>(2,208,179)</u>	<u>2,000,913</u>
General corporate expenses	(2,001,642)	(1,977,542)
Interest and other income	59,005	375,310
TOTAL EARNINGS (LOSS) BEFORE INCOME TAXES	<u>\$ (4,150,816)</u>	<u>\$ 398,681</u>
IDENTIFIABLE ASSETS:		
Coil	\$ 21,832,790	\$ 25,316,558
Tubular	37,298,800	37,543,446
	59,131,590	62,860,004
General corporate assets	4,131,707	4,030,393
TOTAL ASSETS	<u>\$ 63,263,297</u>	<u>\$ 66,890,397</u>
DEPRECIATION:		
Coil	\$ 1,208,446	\$ 1,153,519
Tubular	378,077	510,427
Corporate and other	7,883	9,775
	<u>\$ 1,594,406</u>	<u>\$ 1,673,721</u>
CAPITAL EXPENDITURES:		
Coil	\$ 75,889	\$ 422,481
Tubular	715,973	1,695,512
Corporate and other	7,469	6,656
	<u>\$ 799,331</u>	<u>\$ 2,124,649</u>

Operating profit (loss) is total net sales less operating expenses, excluding general corporate expenses, interest expense and interest and other income. General corporate expenses reflect general and administrative expenses not directly associated with segment operations and consist primarily of corporate and accounting salaries, professional fees and services, bad debts, retirement plan contribution expense, corporate insurance expenses and office supplies. Corporate assets consist primarily of cash, the cash value of officers' life insurance, deferred taxes and federal income taxes recoverable. Although inventory is transferred at cost between product groups, there are no sales between product groups. Capital expenditures were related primarily to the construction of the Company's pipe-finishing facility located in Lone Star, Texas. As of March 31, 2017, capitalized expenditures related to the construction of the facility totaled approximately \$9,452,000.

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, 2017 and 2016:

	Quarter Ended			
	June 30, 2016	September 30, 2016	December 31, 2016	March 31, 2017
Net sales	\$ 22,393,764	\$ 18,317,506	\$ 15,988,745	\$ 21,056,040
Gross profit (loss)	(1,252,988)	(45,711)	571,571	535,506
Net earnings (loss)	(1,461,219)	(603,882)	(236,625)	(376,958)
Basic	(.21)	(.09)	(.03)	(.06)
Diluted	(.21)	(.09)	(.03)	(.06)

	Quarter Ended			
	June 30, 2015	September 30, 2015	December 31, 2015	March 31, 2016
Net sales	\$ 23,968,569	\$ 23,165,705	\$ 18,548,247	\$ 15,948,861
Gross profit	2,141,893	907,703	1,467,289	176,759
Net earnings (loss)	525,949	(193,294)	485,120	(523,775)
Basic	.08	(.03)	.07	(.08)
Diluted	.08	(.03)	.07	(.08)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Friedman Industries, Incorporated

We have audited the accompanying consolidated balance sheets of Friedman Industries, Incorporated and its subsidiary (collectively, the “Company”) as of March 31, 2017 and 2016, and the related consolidated statements of operations, stockholders’ equity and cash flows for the years then ended. Our audits also included the financial statement schedule of Friedman Industries, Incorporated listed in Item 15(a). These financial statements and financial statement schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits 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 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Friedman Industries, Incorporated and its subsidiary as of March 31, 2017 and 2016, and the results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/S/ HEIN & ASSOCIATES LLP

Houston, Texas
June 29, 2017

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our management assessed the effectiveness of our internal control over financial reporting as of the end of our most recent fiscal year. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control — Integrated Framework (2013). Based on such assessment, management concluded that, as of March 31, 2017, our internal control over financial reporting is effective based on that criteria.

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

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

RESULTS OF OPERATIONS

Year ended March 31, 2017 compared to year ended March 31, 2016

During the year ended March 31, 2017, sales decreased \$3,875,327 while costs of goods sold increased \$1,009,939 resulting in a gross profit decline of \$4,885,266 from the comparable amount recorded during the year ended March 31, 2016. The decrease in sales was related to a decline in tons sold partially offset by an increase in the average per ton selling price. Tons sold decreased from approximately 148,500 tons in fiscal 2016 to approximately 134,000 tons in fiscal 2017. The average per ton selling price increased from approximately \$550 per ton in fiscal 2016 to approximately \$581 per ton in fiscal 2017. The average per ton cost increased from approximately \$518 per ton in fiscal 2016 to approximately \$583 per ton in fiscal 2017. Gross margin as a percentage of sales decreased from a gross profit of approximately 5.7% in fiscal 2016 to a gross loss of approximately 0.2% in fiscal 2017.

Coil product segment sales decreased \$1,472,343 during fiscal 2017. This decrease resulted from a decline in tons sold partially offset by an increase in the average per ton selling price. Coil tons sold decreased from approximately 120,000 tons in fiscal 2016 to approximately 111,000 tons in fiscal 2017. The average per ton selling price increased from approximately \$551 per ton in fiscal 2016 to approximately \$581 per ton in fiscal 2017. The decline in coil segment sales volume was primarily attributable to reduced sales to customers manufacturing products used in the commercial freight industry. The coil product segment recorded an operating loss of \$770,091 in fiscal 2017 and an operating profit of \$5,098,322 in fiscal 2016. The coil segment's profit margins are significantly impacted by the application of the LIFO method of inventory valuation. LIFO charges or credits are driven by relative changes in the cost and quantities of hot-rolled coils purchased year over year. In fiscal 2017, the coil segment experienced rising costs for hot-rolled coils and recorded a LIFO charge of approximately \$3,592,500. In fiscal 2016, the coil segment experienced a significant decline in the cost of hot-rolled steel coils and recorded a LIFO credit of approximately \$5,563,000. The Company continues to experience intense competition for sales due to the general availability of both domestic and foreign hot-rolled sheet and plate.

The Company's coil segment purchases a significant amount of its hot-rolled coils from steel mills operated by Nucor Steel Company ("NSC"). In fiscal 2017, NSC continued to supply the Company with steel coils in amounts that were adequate for the Company's purposes. The Company does not currently anticipate any significant change in such supply from NSC. Loss of NSC as a supplier could have a material adverse effect on the Company's business.

Tubular product segment sales decreased by \$2,402,984 during fiscal 2017. This decrease resulted from a decline in tons sold partially offset by an increase in the average selling price. Tubular tons sold decreased from approximately 28,500 tons in fiscal 2016 to approximately 22,500 tons in fiscal 2017. The average per ton selling price of tubular products increased from approximately \$544 per ton in fiscal 2016 to approximately \$582 per ton in fiscal 2017. The tubular segment recorded operating losses of \$1,438,088 and \$3,097,409 in fiscal 2017 and 2016, respectively. Tubular segment results for both fiscal 2017 and 2016 were negatively impacted by a prolonged recession in the U.S. energy business. The recession directly impacted demand for the Company's products used in the oil and gas industry. Management further believes that the recession had a negative indirect impact on the segment's other products, due to the ensuing reluctance among pipe distributors, the segment's primary customers, to purchase tubular products, generally. Management believes the low demand for its tubular products is related to soft market conditions created by oversupply, foreign competition and the recent recession in the U.S. energy business.

U.S. Steel Tubular Products, Inc. ("USS") has been the primary supplier of new mill reject pipe to the Company and a significant customer of the Company's manufactured tubular products used in the energy business. Historically, the Company's manufactured tubular products sold to USS were produced from coil material purchased from USS. Sales of tubular products to USS have declined in recent years and in fiscal 2017 no sales were recorded to USS. Management believes the downward trend is a direct impact of the increased presence of low-priced imported material and the recent recession in the U.S. energy business. The Company is unable to provide an estimate of the timing or quantity of future pipe orders from USS. In March 2016, USS announced it was temporarily idling pipe production at its Lone Star Tubular Operations facility due to weak market conditions. In December 2016, USS announced plans to permanently idle its #1 welded pipe mill at the Lone Star facility. In May 2017, USS resumed production at their Lone Star facility's #2 welded pipe mill. The Company expects the volume and size range of new mill reject pipe supply from USS to be reduced given the permanent idling of the Lone Star facility's #1 pipe mill. The Company continues to manufacture pipe for sale to customers other than USS and sources coil material for this pipe production from domestic steel mills other than USS. Accordingly, the Company does not believe the idling of any USS facility will impact the ability of the Company to receive adequate coil supply for pipe manufacturing demands. Loss of USS as a supplier or customer could have a material adverse effect on the Company's business. The Company can make no assurances as to orders from USS or the amounts of pipe and coil material that will be available from USS in the future.

Selling, general and administrative expenses for fiscal 2017 decreased \$652,074 from the amount recorded in fiscal 2016. This decrease was related primarily to a reduction in the number of administrative employees for the Company's tubular segment, decreases in bonuses and commissions associated with the decline in earnings and sales volume and a decrease in corporate expenses.

Income taxes for fiscal 2017 decreased \$1,576,813 from the amount recorded in fiscal 2016. This decrease was related primarily to the decrease in earnings before taxes in fiscal 2017.

FINANCIAL CONDITION, LIQUIDITY AND SOURCES OF CAPITAL

The Company remained in a strong, liquid position at March 31, 2017. Current ratios were 19.3 and 17.3 at March 31, 2017 and March 31, 2016, respectively. Working capital was \$43,076,246 at March 31, 2017 and \$46,835,906 at March 31, 2016.

During the year ended March 31, 2017, the Company maintained assets and liabilities at levels it believed were commensurate with operations. Changes in balance sheet amounts occurred in the ordinary course of business. Cash decreased primarily as a result of the purchases of property, plant and equipment and the payment of cash dividends. The Company expects to continue to monitor, evaluate and manage balance sheet components depending on changes in market conditions and the Company's operations.

The Company's pipe-finishing facility in Lone Star, Texas was under construction as of March 31, 2017 but subsequently commenced operations in May 2017. As of March 31, 2017, capitalized expenditures related to the construction of the facility totaled approximately \$9,452,000. The facility is part of the existing Texas Tubular Products ("TTP") division of the Company. TTP comprises the Company's tubular reporting segment. The facility threads and couples oil country tubular goods ("OCTG") and performs other processing and testing services that are customary in the OCTG finishing process. The facility focuses on threading semi-premium connections but is also licensed to thread American Petroleum Institute connections. As of the date of this filing, all finishing services performed at the facility have been performed for USS. Management expects an elevated level of operating costs initially while equipment and processes are refined to achieve desired production capabilities and efficiencies. Management believes the long-term utilization and results of this facility is dependent on sustained improvement in the U.S. energy business.

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

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

INFLATION

During fiscal 2017 and 2016, 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. Significant estimates that are subject to the Company's assumptions include valuation of LIFO inventories in the Company's quarterly reporting and determination of the allowance for doubtful accounts. Valuation of LIFO inventories in the Company's quarterly reporting requires estimates of the year end quantities, which is inherently difficult. The allowance for doubtful accounts requires the Company to draw conclusions on the future collectability of the Company's accounts receivable. Actual results could differ from these estimates.

FORWARD-LOOKING STATEMENTS

From time to time, the Company may make certain statements that contain "forward-looking" information (as defined in the Private Securities Litigation Reform Act of 1996, as amended) and that involve risk and uncertainty. 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 U.S. Securities and Exchange Commission under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended. Actual results and trends in the future may differ materially depending on a variety of factors, including, but not limited to, changes in the demand and prices for the Company's products, changes in the demand for steel and steel products in general and the Company's success in executing its internal operating plans, including any proposed expansion plans.

TEN YEAR FINANCIAL SUMMARY

	Year Ended March 31									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Net sales	\$77,756,055	\$81,631,382	\$108,322,780	\$116,149,022	\$136,448,786	\$161,521,993	\$131,709,492	\$65,132,170	\$208,779,750	\$178,785,110
Net earnings (loss)	\$ (2,678,684)	\$ 294,000	\$ 382,330	\$ 1,712,926	\$ 6,135,812	\$ 8,150,464	\$ 8,155,637	\$ 652,024	\$ 13,673,406	\$ 4,465,127
Current assets	\$45,432,836	\$49,701,656	\$ 50,117,355	\$ 59,846,668	\$ 64,283,557	\$ 65,007,891	\$ 54,562,344	\$48,703,119	\$ 42,673,377	\$ 49,422,594
Current liabilities	\$ 2,356,590	\$ 2,865,750	\$ 2,651,111	\$ 7,770,689	\$ 12,312,082	\$ 13,853,388	\$ 9,467,375	\$ 7,576,278	\$ 3,353,013	\$ 14,784,366
Working capital	\$43,076,246	\$46,835,906	\$ 47,466,244	\$ 52,075,979	\$ 51,971,475	\$ 51,154,503	\$ 45,094,969	\$41,126,841	\$ 39,320,364	\$ 34,638,228
Total assets	\$63,263,297	\$66,890,397	\$ 66,958,024	\$ 72,284,399	\$ 76,575,129	\$ 78,570,393	\$ 69,584,131	\$65,031,722	\$ 60,460,064	\$ 66,958,392
Stockholders' equity	\$60,356,425	\$63,239,047	\$ 63,217,025	\$ 63,310,656	\$ 62,957,619	\$ 63,417,268	\$ 58,802,514	\$56,358,410	\$ 56,114,352	\$ 44,956,741
Net earnings (loss) as a percent of										
Net sales	(3.4)	0.4	0.4	1.5	4.5	5.0	6.2	1.0	6.5	2.5
Stockholders' equity	(4.4)	0.5	0.6	2.7	9.7	12.9	13.9	1.2	24.4	9.9
Weighted average number of common shares outstanding:										
Basic	6,851,944	6,799,444	6,799,444	6,799,444	6,799,444	6,799,444	6,799,444	6,799,444	6,799,444	6,733,942
Per share										
Net earnings (loss) per share:										
Basic	\$ (0.39)	\$ 0.04	\$ 0.06	\$ 0.25	\$ 0.90	\$ 1.20	\$ 1.20	\$ 0.10	\$ 2.01	\$ 0.66
Stockholders' equity	\$ 8.81	\$ 9.30	\$ 9.30	\$ 9.31	\$ 9.26	\$ 9.33	\$ 8.65	\$ 8.29	\$ 8.25	\$ 6.68
Cash dividends per common share	\$ 0.04	\$ 0.04	\$ 0.07	\$ 0.20	\$ 0.97	\$ 0.52	\$ 0.84	\$ 0.06	\$ 0.37	\$ 0.27

 **FRIEDMAN INDUSTRIES, *Incorporated***

P.O. Box 2192, Longview, TX 75606 | 903-758-3431



FRIEDMAN INDUSTRIES, INCORPORATED

CODE OF CONDUCT AND ETHICS

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

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

- Carry out their duties honestly and with the highest degree of integrity.
- Avoid actual or apparent conflicts of interest between personal and professional relationships.
- Report promptly any transaction or relationship that could compromise one’s ability to (i) adhere fully to the Code, other Company policies or applicable laws or (ii) make business decisions without regard to personal gain or benefit.
- Seek, at all times, to provide information to Company officials and its outside professionals (e.g. accountants, counsel, insurance providers, etc.) that is accurate, relevant, complete, objective, timely and understandable, and encourage others within the Company to do the same.
- Use reasonable efforts to assure full, fair, accurate, timely and understandable disclosure of information related to the Company’s business and financial operations in Company reports and documents filed with the U.S. Securities and Exchange Commission (the “SEC”) or the NYSE MKT 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 Vice President — Secretary & Treasurer. 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 Vice President — Secretary & Treasurer 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 Vice President — Secretary & Treasurer, at P.O. Box 2192, Longview, Texas 75606. In addition, reports may be made to the Chairman of the Audit Committee by calling (713) 622-7000 or sent to Three Greenway Plaza, Suite 1700, Houston, Texas 77046.

Failure to notify the Chief Executive Officer, the President, the Vice President — Secretary & Treasurer 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 Vice President — Secretary & Treasurer. Any waiver of the Code for directors and executive officers of the Company must be approved by the Company’s Board of Directors and will be promptly reported in such manner as may be required by the SEC or NYSE MKT.

SUBSIDIARIES

FRIEDMAN/DECATUR, L.L.C.

Alabama Limited Liability Company

100% owned

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement (No. 333-215223) on Form S-8 of Friedman Industries, Incorporated of our report dated June 29, 2017, relating to the consolidated financial statements, and the financial statement schedule of Friedman Industries, Incorporated, appearing in the Annual Report to Shareholders, which is incorporated in this Annual Report on Form 10-K of Friedman Industries, Incorporated for the year ended March 31, 2017.

/s/ HEIN & ASSOCIATES LLP

Houston, Texas
June 29, 2017

I, Robert Sparkman, 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 29, 2017

/S/ ROBERT SPARKMAN
President and Chief Executive Officer

I, Alex LaRue, certify that:

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

Dated: June 29, 2017

/S/ ALEX LARUE

Vice President — Secretary and Treasurer

