

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED September 30, 2024

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FROM THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 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 Number)**

1121 Judson Road, Suite 124, Longview, Texas 75601
(Address of principal executive offices) (Zip Code)

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

Former name, former address and former fiscal year, if changed since last report

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

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

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 No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). (Check one): Yes No

At November 12, 2024, the number of shares outstanding of the issuer's only class of stock was 6,966,510 shares of Common Stock.

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Part I — FINANCIAL INFORMATION

Item 1. Financial Statements

FRIEDMAN INDUSTRIES, INCORPORATED

CONDENSED CONSOLIDATED BALANCE SHEETS — UNAUDITED
(In thousands, except for share data)

	SEPTEMBER 30, 2024	MARCH 31, 2024
ASSETS		
CURRENT ASSETS:		
Cash	\$ 2,473	\$ 2,891
Accounts receivable, net of allowances for credit losses and cash discounts of \$147 and \$97 at September 30, and March 31, 2024, respectively	39,620	47,329
Inventories	105,051	115,804
Current portion of derivative assets	18	74
Other current assets	882	3,966
TOTAL CURRENT ASSETS	148,044	170,064
PROPERTY, PLANT AND EQUIPMENT:		
Land	1,670	1,670
Buildings and yard improvements	30,906	30,900
Machinery and equipment	56,359	53,607
Construction in process	805	1,977
Less accumulated depreciation	(32,871)	(31,396)
TOTAL PROPERTY, PLANT AND EQUIPMENT	56,869	56,758
OTHER ASSETS:		
Cash value of officers' life insurance and other assets	1,307	356
Operating lease right-of-use asset	2,947	2,841
TOTAL ASSETS	\$ 209,167	\$ 230,019
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 34,642	\$ 43,886
Income taxes payable	195	2,213
Dividends payable	279	279
Employee compensation and related expenses	1,249	5,989
Current portion of financing lease	—	54
Current portion of derivative liability	1	1,686
TOTAL CURRENT LIABILITIES	36,366	54,107
POSTRETIREMENT BENEFITS OTHER THAN PENSIONS	113	105
DEFERRED INCOME TAX LIABILITY	5,239	5,257
NON-CURRENT LEASE LIABILITIES	2,828	2,782
ASSET BASED LENDING FACILITY	35,857	40,293
TOTAL LIABILITIES	80,403	102,544
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Common stock, par value \$1: Authorized shares — 10,000,000; Issued shares — 8,873,203 shares at September 30, and March 31, 2024	8,873	8,873
Additional paid-in capital	35,336	35,247
Treasury stock at cost (1,904,258 shares and 1,896,892 shares at September 30, and March 31, 2024, respectively)	(13,063)	(12,929)
Retained earnings	97,618	96,284
TOTAL STOCKHOLDERS' EQUITY	128,764	127,475
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 209,167	\$ 230,019

The accompanying notes are an integral part of these financial statements.

FRIEDMAN INDUSTRIES, INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS — UNAUDITED
 (In thousands, except per share data)

	THREE MONTHS ENDED SEPTEMBER 30,		SIX MONTHS ENDED SEPTEMBER 30,	
	2024	2023	2024	2023
Net Sales	\$ 106,759	\$ 130,748	\$ 221,310	\$ 268,046
Costs and expenses:				
Cost of materials sold (excludes items shown separately below)	88,761	110,275	184,656	217,911
Processing and warehousing expense	7,861	7,409	16,558	14,582
Delivery expense	5,381	6,521	11,432	11,966
Selling, general and administrative	3,935	4,729	8,446	10,667
Depreciation and amortization	823	759	1,618	1,508
Loss on disposal of property, plant and equipment	222	—	222	—
	<u>106,983</u>	<u>129,693</u>	<u>222,932</u>	<u>256,634</u>
EARNINGS (LOSS) FROM OPERATIONS	(224)	1,055	(1,622)	11,412
Gain on economic hedges of risk	194	4,402	5,569	4,832
Interest expense	(869)	(805)	(1,550)	(1,345)
Other income (expense)	(3)	10	—	16
EARNINGS (LOSS) BEFORE INCOME TAXES	(902)	4,662	2,397	14,915
Provision for (benefit from) income taxes:				
Current	(219)	1,165	523	3,745
Deferred	(8)	(16)	(18)	(33)
	<u>(227)</u>	<u>1,149</u>	<u>505</u>	<u>3,712</u>
NET EARNINGS (LOSS)	\$ (675)	\$ 3,513	\$ 1,892	\$ 11,203
Net earnings (loss) per share:				
Basic	\$ (0.10)	\$ 0.48	\$ 0.27	\$ 1.52
Diluted	\$ (0.10)	\$ 0.48	\$ 0.27	\$ 1.52
Cash dividends declared per common share	\$ 0.04	\$ 0.02	\$ 0.08	\$ 0.04

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME — UNAUDITED
 (In thousands)

	THREE MONTHS ENDED SEPTEMBER 30,		SIX MONTHS ENDED SEPTEMBER 30,	
	2024	2023	2024	2023
Net earnings (loss)	\$ (675)	\$ 3,513	\$ 1,892	\$ 11,203
Other comprehensive income (loss):				
Cash flow hedges, net of tax	—	—	—	317
	<u>—</u>	<u>—</u>	<u>—</u>	<u>317</u>
Comprehensive income (loss)	\$ (675)	\$ 3,513	\$ 1,892	\$ 11,520

The accompanying notes are an integral part of these financial statements.

FRIEDMAN INDUSTRIES, INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS — UNAUDITED
 (In thousands)

	SIX MONTHS ENDED SEPTEMBER 30,	
	2024	2023
OPERATING ACTIVITIES		
Net earnings	\$ 1,892	\$ 11,203
Adjustments to reconcile net earnings to cash provided by (used in) operating activities:		
Depreciation and amortization	1,618	1,531
Deferred taxes	(18)	(33)
Compensation expense for restricted stock	89	156
Change in postretirement benefits	8	4
Gain recognized on open derivatives not designated for hedge accounting	(1,629)	(1,969)
Deferred realized gain on derivatives	—	418
Loss on disposal of property, plant and equipment	222	—
Right-of-use asset	(8)	—
Decrease (increase) in operating assets:		
Accounts receivable	7,709	(2,958)
Inventories	10,753	(18,256)
Other current assets	141	(2,369)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(9,295)	(7,411)
Income taxes payable	(2,018)	1,128
Contribution to retirement plan	—	(350)
Employee compensation and related expenses	(4,740)	(1,330)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	4,724	(20,236)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,900)	(2,883)
Deposit on steel processing equipment	(1,000)	—
Increase in cash surrender value of officers' life insurance	(2)	(7)
NET CASH USED IN INVESTING ACTIVITIES	(2,902)	(2,890)
FINANCING ACTIVITIES		
Cash dividends paid	(557)	(295)
Cash paid for principal portion of finance lease	(54)	(53)
Cash paid for share repurchases	(134)	(4)
Borrowings on asset based lending facility	326,988	420,178
Repayments on asset based lending facility	(331,424)	(398,934)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(5,181)	20,892
DECREASE IN CASH AND RESTRICTED CASH	(3,359)	(2,234)
CASH AND RESTRICTED CASH AT BEGINNING OF PERIOD	5,897	5,386
CASH AND RESTRICTED CASH AT END OF PERIOD	\$ 2,538	\$ 3,152

Cash and restricted cash at September 30, 2024 and March 31, 2024 included approximately \$0.1 million and \$3.0 million, respectively, of cash required to collateralize open derivative positions. These amounts are reported in "Other current assets" on the Company's consolidated balance sheets at September 30, 2024 and March 31, 2024. The Company did not have any restricted cash as of September 30, 2023.

The accompanying notes are an integral part of these financial statements.

FRIEDMAN INDUSTRIES, INCORPORATED

CONDENSED NOTES TO QUARTERLY REPORT — UNAUDITED

NOTE A — BASIS OF PRESENTATION

The accompanying unaudited, condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. For further information, refer to the consolidated financial statements and footnotes of Friedman Industries, Incorporated (the "Company") included in its annual report on Form 10-K for the year ended March 31, 2024.

Reclassifications

The consolidated financial statements for the previous year may include certain reclassifications to conform to the current presentation. To conform with the current year presentation, "Cost of products sold" on the consolidated statements of operations was broken down into four separate line items: "Cost of materials sold", "Processing and warehousing expense", "Delivery expense" and "Depreciation and amortization". The Company believes this increased level of detail provides financial statement users with a better understanding of the Company's expenses. "Cost of materials sold" represent the costs associated with direct materials. "Processing and warehousing expense" represents the operating costs at our processing facilities. "Delivery expense" represents the costs of delivering products to customers. The amount the Company charged customers for delivery of products is reported within "Net sales" on the consolidated statements of operations. These reclassifications had no impact on previously reported net earnings or stockholders' equity.

NOTE B — NEW ACCOUNTING PRONOUNCEMENTS

In November 2024, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2024-03, Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures: Disaggregation of Income Statement Expenses ("ASU 2024-03"). ASU 2024-03 will require more detailed information about the types of expenses in commonly presented income statement captions such as "Cost of sales" and "Selling, general and administrative expenses". The new guidance is effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027 with early adoption permitted. The Company is evaluating the impact that adoption of the provisions of ASU 2024-03 will have on its consolidated financial statements but does not expect a material impact.

NOTE C — INVENTORIES

The Company operates in two segments: the flat-roll segment and the tubular segment. Both flat-roll segment and tubular segment inventories consist of raw material and finished goods. Cost for substantially all of the Company's inventory is determined using the average cost method. All inventories are valued at the lower of cost or net realizable value. Flat-roll raw material inventory consists of steel coils the Company will process into sheet and plate. Flat-roll finished goods consists of processed sheet and plate inventory. Tubular raw material inventory consists of hot-rolled steel coils that the Company will manufacture into pipe. Tubular finished goods inventory consists of pipe the Company has manufactured. Inventory costs include the costs of the purchased metals, inbound freight, transfer freight, certain external processing, internal processing, direct labor and applicable overhead costs. On the Consolidated Statements of Operations, "Cost of materials sold (excludes items shown separately below)" consists of the cost of purchased metals, inbound freight, transfer freight and certain external processing costs.

A summary of inventory values by product group follows (in thousands):

	September 30, 2024	March 31, 2024
Flat-Roll raw material	\$ 78,789	\$ 85,483
Flat-Roll finished goods	15,724	17,030
Tubular raw material	4,126	4,185
Tubular finished goods	6,412	9,106
	<u>\$ 105,051</u>	<u>\$ 115,804</u>

NOTE D — DEBT

The Company has a \$150 million asset-based lending facility ("ABL Facility") in place with JPMorgan Chase Bank, N.A. as the arranging agent and BMO Harris Bank, N.A. as a one-third syndicated participant. The ABL Facility matures on May 19, 2026 and is secured by substantially all of the assets of the Company. The Company can elect borrowings on a floating rate basis or a term basis. Floating rate borrowings accrue interest at a rate equal to the prime rate minus 1% per annum. Term rate borrowings accrue interest at a rate equal to the SOFR rate applicable to the selected term plus 1.8% per annum. Availability of funds under the ABL Facility is subject to a borrowing base calculation determined as the sum of (a) 90% of eligible accounts receivable, plus (b) the product of 85% multiplied by the net orderly liquidating value percentage identified in the most recent inventory appraisal multiplied by eligible inventory. The ABL Facility contains a springing financial covenant whereby the financial covenant is only tested when availability falls below the greater of 15% of the revolving commitment or \$22.5 million. The financial covenant restricts the Company from allowing its fixed charge coverage ratio to be, as of the end of any calendar month, less than 1.10 to 1.00 for the trailing twelve-month period then ending. The fixed charge coverage ratio is calculated as the ratio of (a) EBITDA, as defined in the ABL Facility, minus unfinanced capital expenditures to (b) cash interest expense plus scheduled principal payments on indebtedness plus taxes paid in cash plus restricted payments paid in cash plus capital lease obligation payments plus cash contributions to any employee pension benefit plans. The ABL Facility contains other representations and warranties and affirmative and negative covenants that are usual and customary. If certain conditions precedent are satisfied, the ABL facility may be increased by up to an aggregate of \$25 million, in minimum increments of \$5 million. At September 30, 2024, the Company had a balance of approximately \$35.9 million under the ABL Facility with an applicable interest rate of 7.0%. At September 30, 2024, the Company's applicable borrowing base calculation supported access to approximately \$104.7 million of the ABL Facility.

The Company incurred debt issuance costs of approximately \$0.4 million in connection with the ABL Facility. The Company recorded these debt issuance costs as non-current other assets and is amortizing these costs on an equal monthly basis over the remaining term of the ABL facility.

NOTE E — LEASES

The Company has an operating lease for the Granite City, IL facility with an expiration date of August 31, 2028 and optional renewal provisions for up to 4 renewal terms of five years each. The lease calls for monthly rental payments that adjust on an annual basis. The monthly rental payment in place at September 30, 2024 and remaining in place until adjustment in September 2025 is approximately \$13,000 per month. The anticipated execution of renewal options for this lease is included in the ROU asset and lease liability calculation. The Company has an operating lease for administrative office space in The Woodlands, TX with an expiration date of February 28, 2029 and a renewal option for one additional 60 month term. The lease calls for monthly rental payments that adjust on an annual basis. The monthly rental payment in place at September 30, 2024 and remaining in place until adjustment in March 2025 is approximately \$11,000 per month. The Company's lease of its office space in Longview, Texas is the only other operating lease included in the Company's ROU assets and lease liabilities. This lease expires on April 30, 2027 and calls for monthly rental payments of approximately \$5,000. The Company's other operating leases for items such as IT equipment and storage space are either short-term in nature or immaterial.

In October 2019, the Company acquired equipment under a 5-year finance lease arrangement with a financed amount of approximately \$0.5 million and a monthly payment of approximately \$9,000. The last payment under this lease was made in October 2024.

The components of expense related to leases for the three and six months ended September 30, 2024 and 2023 are as follows (in thousands):

	Three Months Ended September 30,		Six Months Ended September 30,	
	2024	2023	2024	2023
Finance lease – amortization of ROU asset	\$ 27	\$ 26	\$ 54	\$ 52
Finance lease – interest on lease liability	—	1	—	2
Operating lease expense	108	34	168	68
	<u>\$ 135</u>	<u>\$ 61</u>	<u>\$ 222</u>	<u>\$ 122</u>

The following table illustrates the balance sheet classification for ROU assets and lease liabilities as of September 30, 2024 and March 31, 2024 (in thousands):

	September 30, 2024	March 31, 2024	Balance Sheet Classification
Assets			
Operating lease right-of-use asset	\$ 2,947	\$ 2,841	Operating lease right-of-use asset
Finance lease right-of-use asset	391	404	Property, plant & equipment
Total right-of-use assets	<u>\$ 3,338</u>	<u>\$ 3,245</u>	
Liabilities			
Operating lease liability, current	\$ 153	\$ 101	Accrued expenses
Finance lease liability, current	—	54	Current portion of finance lease
Operating lease liability, non-current	2,828	2,782	Non-current lease liabilities
Total lease liabilities	<u>\$ 2,981</u>	<u>\$ 2,937</u>	

As of September 30, 2024, the weighted-average remaining lease term was 19.4 years for operating leases. The weighted average discount rate was 7.5% for operating leases.

Maturities of lease liabilities as of September 30, 2024 were as follows (in thousands):

	Operating Leases	Finance Leases
Fiscal 2025 (remainder of fiscal year)	179	—
Fiscal 2026	363	—
Fiscal 2027	371	—
Fiscal 2028	324	—
Fiscal 2029 and beyond	5,043	—
Total undiscounted lease payments	\$ 6,280	\$ —
Less: imputed interest	(3,299)	—
Present value of lease liability	\$ 2,981	\$ —

NOTE F — PROPERTY, PLANT AND EQUIPMENT

At September 30, 2024, the Company's construction in process balance of approximately \$0.8 million consisted of several smaller projects among our facilities. In August 2024, a processing line upgrade at the Decatur, AL facility was placed into service at a cost of approximately \$1.9 million and a loss of approximately \$0.2 million was recognized for disposal of the replaced equipment.

NOTE G — STOCK BASED COMPENSATION

The Company maintains the Friedman Industries, Incorporated 2016 Restricted Stock Plan (the "Plan"). The Plan is administered by the Compensation Committee (the "Committee") of the Board of Directors (the "Board") and continues indefinitely until terminated by the Board or until all shares allowed by the Plan have been awarded and earned. The aggregate number of shares of the Company's Common Stock eligible for award under the Plan is 500,000 shares. Subject to the terms and provisions of the Plan, the Committee may, from time to time, select the employees, directors or consultants to whom awards will be granted and shall determine the amount and applicable restrictions of each award. Restricted awards entitle recipients to vote and receive non-forfeitable dividends during the restriction period. Because dividends are non-forfeitable, they are reflected in retained earnings. Forfeitures are accounted for upon their occurrence. Because the Company accounts for forfeitures as they occur, the non-forfeitable dividends are reclassified from retained earnings to additional stock compensation for the actual forfeitures that occurred.

The following table summarizes the activity related to restricted stock units ("RSUs") for the six months ended September 30, 2024:

	<u>Number of Shares</u>	<u>Weighted Average Grant Date Fair Value Per Share</u>
Unvested at March 31, 2024	64,487	\$ 6.62
Cancelled or forfeited	—	—
Granted	—	—
Vested	(36,000)	6.64
Unvested at September 30, 2024	<u>28,487</u>	<u>\$ 6.61</u>

The Company measures compensation expense for RSUs at the market price of the common stock as of the grant date. Compensation expense is recognized over the requisite service period applicable to each award. The Company recorded compensation expense of approximately \$0.1 million and \$0.2 million in the six months ended September 30, 2024 and 2023, respectively, relating to the RSUs issued under the Plan. As of September 30, 2024, unrecognized compensation expense related to unvested RSUs was approximately \$48,000 which is expected to be recognized over a weighted average period of approximately 0.4 years. As of September 30, 2024, a total of 117,998 shares were still available to be issued under the Plan.

NOTE H — DERIVATIVE FINANCIAL INSTRUMENTS

From time to time, we expect to utilize hot-rolled coil futures or options to reduce our exposure to commodity price risk that is inherent in our business. For the six months ended September 30, 2024, all of the Company's hedging activities were classified as economic hedges of risk with mark-to-market ("MTM") accounting treatment. For the six months ended September 30, 2023, the Company had hedging activities classified as cash flow hedges with hedge accounting treatment according to the requirements of ASC 815— Derivatives and Hedging and hedging activities classified as economic hedges of risk with MTM accounting treatment. By using derivatives, the Company is exposed to credit and market risk. The Company's exposure to credit risk includes the counterparty's failure to fulfill its performance obligations under the terms of the derivative contract. The Company attempts to minimize its credit risk by entering into transactions with high quality counterparties and uses exchange-traded derivatives when available. Market risk is the risk that the value of the financial instrument might be adversely affected by a change in commodity prices. The Company manages market risk by continually monitoring exposure within its risk management strategy and portfolio. For any transactions designated as hedging instruments for accounting purposes, we document all relationships between hedging instruments and hedged items, as well as our risk-management objective and strategy for undertaking the various hedge transactions. We also assess, both at the hedge's inception and on an ongoing basis, whether the derivatives used in hedging transactions are highly effective in offsetting changes in cash flows or fair value of hedged items.

The Company has forward physical purchase supply agreements in place with some of its suppliers for a portion of its monthly physical steel needs. These supply agreements are not subject to mark-to-market accounting due to the Company electing the normal purchase normal sale exclusion provided in ASC 815.

At September 30, 2024 and March 31, 2024, the Company did not have any hot-rolled coil futures contracts designated as hedging instruments and classified as cash flow or fair value hedges.

The following table summarizes the fair value of the Company's derivative financial instruments and the respective line in which they were recorded in the Consolidated Balance Sheet as of September 30, 2024 (in thousands):

Derivatives not designated as hedging instruments:	Asset Derivatives		Liability Derivatives	
	Balance Sheet		Balance Sheet	
	Location	Fair Value	Location	Fair Value
Hot-rolled coil steel contracts	Current portion of derivative assets	\$ 18	Current portion of derivative liability	\$ 1

The following table summarizes the fair value of the Company's derivative financial instruments and the respective line in which they were recorded in the Consolidated Balance Sheet as of March 31, 2024 (in thousands):

Derivatives not designated as hedging instruments:	Asset Derivatives		Liability Derivatives	
	Balance Sheet		Balance Sheet	
	Location	Fair Value	Location	Fair Value
Hot-rolled coil steel contracts	Current portion of derivative assets	\$ 74	Current portion of derivative liability	\$ 1,686

All derivatives are presented on a gross basis on the Consolidated Balance Sheets.

During the six months ended September 30, 2024 and 2023, the Company entered into hot-rolled coil futures contracts that were not designated as hedging instruments for accounting purposes. Accordingly, the change in fair value related to these instruments was immediately recognized in earnings for these periods. During the six months ended September 30, 2024 and 2023, the Company did not designate any transactions as hedging instruments for accounting purposes. During the six months ended September 30, 2023, the Company reclassified the loss associated with previously designated cash flow hedges into earnings during the period.

The following table summarizes the pre-tax gain (loss) recognized in other comprehensive income and the loss reclassified from accumulated other comprehensive income into earnings for derivative financial instruments designated as cash flow hedges for the six months ended September 30, 2023 (in thousands):

	Pre-Tax Gain (Loss) Recognized in OCI	Location of Loss Reclassified from AOCI into Net Earnings	Pre-Tax Loss Reclassified from AOCI into Net Earnings
For the six months ended September 30, 2023:			
Hot-rolled coil steel contracts	\$ —	Sales	\$ (418)
Total	\$ —		\$ (418)

The following table summarizes the gain recognized in earnings for derivative instruments not designated as hedging instruments during the three and six months ended September 30, 2024 (in thousands):

	Location of Gain Recognized in Earnings	Gain Recognized in Earnings for the Three Months Ended September 30, 2024
Hot-rolled coil steel contracts	Gain on economic hedges of risk	\$ 194
	Location of Gain Recognized in Earnings	Gain Recognized in Earnings for the Six Months Ended September 30, 2024
Hot-rolled coil steel contracts	Gain on economic hedges of risk	\$ 5,569

The following table summarizes the gain recognized in earnings for derivative instruments not designated as hedging instruments during the three and six months ended September 30, 2023 (in thousands):

	Location of Gain Recognized in Earnings	Gain Recognized in Earnings for the Three Months Ended September 30, 2023
Hot-rolled coil steel contracts	Gain on economic hedges of risk	\$ 4,402
	Location of Gain Recognized in Earnings	Gain Recognized in Earnings for the Six Months Ended September 30, 2023
Hot-rolled coil steel contracts	Gain on economic hedges of risk	\$ 4,832

The notional amount (quantity) of our derivative instruments not designated as hedging instruments at September 30, 2024 consisted of 1,820 tons of short positions with maturity dates ranging from October 2024 to June 2025 and 100 tons of long positions with maturity dates of November 2024 and January 2025.

The following tables reflect the change in accumulated other comprehensive income (loss), net of tax, for the six months ended September 30, 2023 (in thousands):

	Gain (Loss) on Derivatives
Balance at March 31, 2023	\$ (317)
Other comprehensive income, net of loss, before reclassification	—
Total loss reclassified from AOCI (1)	317
Net current period other comprehensive income	317
Balance at September 30, 2023	\$ —

(1) The loss reclassified from AOCI is presented net of tax benefits of approximately \$0.1 million which are included in the provision for (benefit from) income taxes on the Company's Consolidated Statement of Operations for the six months ended September 30, 2023.

At September 30, 2024 and March 31, 2024, cash of approximately \$0.1 million and \$3.0 million, respectively, was held by our clearing agent to collateralize our open derivative positions. These cash requirements are included in "Other current assets" on the Company's Consolidated Balance Sheets at September 30, 2024 and March 31, 2024.

NOTE 1 — FAIR VALUE MEASUREMENTS

Accounting standards provide a comprehensive framework for measuring fair value and sets forth a definition of fair value and establishes a hierarchy prioritizing the inputs to valuation techniques, giving the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable value inputs. Levels within the hierarchy are defined as follows:

- Level 1 – Quoted prices for identical assets and liabilities in active markets.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the assets and liabilities, either directly or indirectly.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

Recurring Fair Value Measurements

At September 30, 2024, our financial assets, net, measured at fair value on a recurring basis were as follows (in thousands):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Commodity futures – financial assets, net	\$ 17	\$ —	\$ —	\$ 17
Total	<u>\$ 17</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 17</u>

At March 31, 2024, our financial liabilities, net, measured at fair value on a recurring basis were as follows (in thousands):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Commodity futures – financial liabilities, net	\$ (1,612)	\$ —	\$ —	\$ (1,612)
Total	<u>\$ (1,612)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (1,612)</u>

At September 30, 2024 and March 31, 2024, the Company did not have any fair value measurements on a non-recurring basis.

NOTE J — SEGMENT INFORMATION (in thousands)

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: flat-roll and tubular. The Company's flat-roll operations consists primarily of converting steel coils into flat sheet and plate steel cut to customer specifications. 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 (in thousands):

	Three Months Ended		Six Months Ended	
	September 30,		September 30,	
	2024	2023	2024	2023
NET SALES:				
Flat-Roll	\$ 97,379	\$ 120,527	\$ 200,766	\$ 245,724
Tubular	9,380	10,221	20,544	22,322
TOTAL NET SALES	<u>\$ 106,759</u>	<u>\$ 130,748</u>	<u>\$ 221,310</u>	<u>\$ 268,046</u>
OPERATING PROFIT (LOSS):				
Flat-Roll	\$ 2,669	\$ 3,142	\$ 5,335	\$ 14,956
Tubular	(582)	16	(1,767)	2,280
TOTAL OPERATING PROFIT	2,087	3,158	3,568	17,236
General corporate expenses	(2,311)	(2,103)	(5,190)	(5,824)
Gain on economic hedges of risk	194	4,402	5,569	4,832
Interest expense	(869)	(805)	(1,550)	(1,345)
Other income (loss)	(3)	10	—	16
TOTAL EARNINGS (LOSS) BEFORE INCOME TAXES	<u>\$ (902)</u>	<u>\$ 4,662</u>	<u>\$ 2,397</u>	<u>\$ 14,915</u>
September 30, 2024 March 31, 2024				
IDENTIFIABLE ASSETS:				
Flat-Roll		\$ 189,601	\$ 205,797	
Tubular		15,271	19,589	
		204,872	225,386	
General corporate assets		4,295	4,633	
		<u>\$ 209,167</u>	<u>\$ 230,019</u>	

Operating profit (loss) is total net sales less operating expenses, excluding general corporate expenses, gain on economic hedges of risk, interest expense and other income (loss). General corporate expenses reflect general and administrative expenses not directly associated with segment operations and consist primarily of corporate and accounting salaries, professional fees and services, bad debts, retirement plan contribution expense, corporate insurance expenses, restricted stock plan compensation expense and office supplies. At September 30, 2024 and March 31, 2024, corporate assets consist primarily of cash, restricted cash, leased administrative office right-of-use assets, unamortized debt issuance costs and the cash value of officers' life insurance. Although inventory is transferred at cost between product groups, there are no sales between product groups.

NOTE K — REVENUE

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

The Company has two reportable segments: Flat-Roll and Tubular. Flat-roll primarily generates revenue from cutting to length hot-rolled steel coils. Flat-roll segment revenue consists of two product types: Company Owned Flat-Roll Products and Processing or Storage of Customer Owned Coil. Tubular primarily generates revenue from selling steel pipe it has manufactured resulting in a single product type: Manufactured Pipe.

The following table disaggregates our revenue by product for each of our reportable business segments for the three and six months ended September 30, 2024 and 2023, respectively (in thousands):

	Three Months Ended September 30,		Six Months Ended September 30,	
	2024	2023	2024	2023
Flat-Roll Segment:				
Company Owned Flat-Roll Products	96,232	119,195	198,066	243,168
Processing or Storage of Customer Owned Coil	1,147	1,332	2,700	2,556
	<u>97,379</u>	<u>120,527</u>	<u>200,766</u>	<u>245,724</u>
Tubular Segment:				
Manufactured Pipe	9,380	10,221	20,544	22,322
	<u>9,380</u>	<u>10,221</u>	<u>20,544</u>	<u>22,322</u>

NOTE L — STOCKHOLDERS' EQUITY

The following tables reflect the changes in stockholders' equity for each of the six months ended September 30, 2024 and September 30, 2023 (in thousands):

	Common Stock	Accumulated Other Comprehensive Income, Net of Tax	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Total
BALANCE AT MARCH 31, 2024	\$ 8,873	—	\$ 35,247	\$ (12,929)	\$ 96,284	\$ 127,475
Net earnings	—	—	—	—	2,567	2,567
Paid in capital – restricted stock units	—	—	47	—	—	47
Repurchase of shares	—	—	—	(123)	—	(123)
Cash dividends (\$0.04 per share)	—	—	—	—	(279)	(279)
BALANCE AT JUNE 30, 2024	<u>\$ 8,873</u>	<u>—</u>	<u>\$ 35,294</u>	<u>\$ (13,052)</u>	<u>\$ 98,572</u>	<u>\$ 129,687</u>
Net loss	—	—	—	—	(675)	(675)
Paid in capital – restricted stock units	—	—	42	—	—	42
Repurchase of shares	—	—	—	(11)	—	(11)
Cash dividends (\$0.04 per share)	—	—	—	—	(279)	(279)
BALANCE AT SEPTEMBER 30, 2024	<u>\$ 8,873</u>	<u>—</u>	<u>\$ 35,336</u>	<u>\$ (13,063)</u>	<u>\$ 97,618</u>	<u>\$ 128,764</u>

	Common Stock	Accumulated Other Comprehensive Income, Net of Tax	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Total
BALANCE AT MARCH 31, 2023	\$ 8,869	(317)	\$ 35,005	\$ (7,778)	\$ 79,653	\$ 115,432
Net earnings	—	—	—	—	7,690	7,690
Other comprehensive income	—	317	—	—	—	317
Paid in capital – restricted stock units	—	—	78	—	—	78
Cash dividends (\$0.02 per share)	—	—	—	—	(148)	(148)
BALANCE AT JUNE 30, 2023	<u>\$ 8,869</u>	<u>\$ —</u>	<u>\$ 35,083</u>	<u>\$ (7,778)</u>	<u>\$ 87,195</u>	<u>\$ 123,369</u>
Net earnings	—	—	—	—	3,513	3,513
Paid in capital – restricted stock units	—	—	78	—	—	78
Repurchase of shares	—	—	—	(3)	—	(3)
Cash dividends (\$0.02 per share)	—	—	—	—	(148)	(148)
BALANCE AT SEPTEMBER 30, 2023	<u>\$ 8,869</u>	<u>\$ —</u>	<u>\$ 35,161</u>	<u>\$ (7,781)</u>	<u>\$ 90,560</u>	<u>\$ 126,809</u>

NOTE M — OTHER COMPREHENSIVE INCOME

The following table summarizes the tax effects on each component of Other Comprehensive Income for the six months ended September 30, 2023 (in thousands):

	Six Months Ended September 30, 2023		
	Before-Tax	Tax	Net-of-Tax
Cash flow hedges	\$ 418	\$ (101)	\$ 317
Other comprehensive income	<u>\$ 418</u>	<u>\$ (101)</u>	<u>\$ 317</u>

NOTE N — EARNINGS PER SHARE

Basic and dilutive net earnings per share is computed based on the following information (in thousands, except for share data):

	Three Months Ended September 30,		Six Months Ended September 30,	
	2024	2023	2024	2023
Numerator (basic and diluted)				
Net earnings (loss)	\$ (675)	\$ 3,513	\$ 1,892	\$ 11,203
Less: Allocation to unvested restricted stock units	1	41	8	131
Net earnings (loss) attributable to common shareholders	<u>\$ (676)</u>	<u>\$ 3,472</u>	<u>\$ 1,884</u>	<u>\$ 11,072</u>
Denominator (basic and diluted)				
Weighted average common shares outstanding	<u>6,939,416</u>	<u>7,288,906</u>	<u>6,939,312</u>	<u>7,288,906</u>

For the six months ended September 30, 2024 and 2023, the Company allocated dividends and undistributed earnings to the unvested restricted stock units.

As the restricted stock qualifies as participating securities, the following restricted stock units were not accounted in the computation of weighted average diluted common shares outstanding under the two-class method:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2024	2023	2024	2023
Restricted Stock Units	24,049	72,910	22,997	67,712

NOTE O — SUPPLEMENTAL CASH FLOW INFORMATION

The Company paid interest of approximately \$1.6 million and \$1.2 million during the six months ended September 30, 2024 and 2023, respectively. Additionally, the Company paid income taxes of approximately \$2.9 million and \$2.7 million during the six months ended September 30, 2024 and 2023, respectively.

NOTE P — INCOME TAXES

For the six months ended September 30, 2024 and six months ended September 30, 2023, the Company recorded income tax provisions of approximately \$0.5 million and \$3.7 million, respectively. For the six months ended September 30, 2024, the effective tax rate differed from the federal statutory rate due primarily to the inclusion of state tax expenses in the provision with this impact partially reduced by the tax effect of restricted stock vesting during the period. For the six months ended September 30, 2023, the effective tax rate differed from the federal statutory rate due primarily to the inclusion of state tax expenses in the provision.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

Friedman Industries, Incorporated is a manufacturer and processor of steel products and operates in two reportable segments: flat-roll products and tubular products.

The flat-roll product segment consists of the operation of five hot-rolled coil processing facilities located in Hickman, Arkansas; Decatur, Alabama; East Chicago, Indiana; Granite City, Illinois and Sinton, Texas. The Hickman, Granite City and East Chicago facilities operate temper mills and cut-to-length lines. The Decatur and Sinton facilities operate stretcher leveler cut-to-length lines. The equipment at all locations improve the flatness and surface quality of the coils and cut the coils into sheet and plate of prescribed lengths. On a combined basis, the facilities are capable of cutting sheet and plate with thicknesses ranging from 16 gauge to 1" thick in widths ranging from 36" wide to 96" wide. The vast majority of flat-roll product segment revenue is generated from sales of Company owned inventory but the segment also generates revenue from the processing or storage of customer owned coils on a fee basis.

The tubular product segment consists of the Company's Texas Tubular Products division ("TTP") located in Lone Star, Texas. TTP operates two electric resistance welded pipe mills with a combined outside diameter ("OD") size range of 2 3/8" OD to 8 5/8" OD. Both pipe mills are American Petroleum Institute ("API") licensed to manufacture line pipe and oil country pipe and also manufacture pipe for structural purposes that meets other recognized industry standards. All of the tubular segment's revenue is generated from sales of Company owned inventory.

Results of Operations

Six Months Ended September 30, 2024 Compared to Six Months Ended September 30, 2023

During the six months ended September 30, 2024 (the "2024 period"), sales, cost of materials sold and adjusted gross profit decreased approximately \$46.7 million, \$33.3 million and \$13.4 million, respectively, compared to the amounts recorded during the six months ended September 30, 2023 (the "2023 period"). The decrease in sales was associated with both a decline in sales volume and a decrease in the average selling price per ton. Sales volume for the 2024 period consisted of approximately 240,000 tons from inventory and another 42,000 tons of toll processing customer owned material compared to the 2023 period volume consisting of approximately 258,000 tons from inventory and 50,000 tons of toll processing. The decline in sales volume for the 2024 period was related to a combination of challenging conditions for some of our customers and extended planned downtime for equipment upgrades and maintenance at the Company's Sinton and Decatur facilities. Adjusted gross profit was approximately \$36.7 million for the 2024 period compared to approximately \$50.1 million for the 2023 period. Adjusted gross profit as a percentage of sales was approximately 16.6% for the 2024 period compared to approximately 18.7% for the 2023 period.

Our operating results are significantly impacted by the market price of hot-rolled steel coil ("HRC"). Entering the 2023 period, HRC prices had increased approximately 95% from November 2022 to April 2023. HRC prices then declined approximately 18% by the end of the 2023 period. As a result, the 2023 period benefitted from strong physical margins during the first half of the period and then experienced margin compression during the second half of the period. Entering the 2024 period, HRC prices were on a predominately declining trend dropping approximately 40% from January 2024 through the middle of August 2024. As a result, the Company experienced compressed physical margins throughout the 2024 period. The Company utilizes HRC futures to partially manage exposure to commodity price risk. The Company recognized hedging related gains of approximately \$5.6 million and \$4.8 million in the 2024 and 2023 periods, respectively.

Flat-roll Segment

Flat-roll product segment sales for the 2024 period totaled approximately \$200.8 million compared to approximately \$245.7 million for the 2023 period. For a more complete understanding of the average selling prices of goods sold, it is helpful to exclude any sales generated from processing or storage of customer owned material. Sales generated from processing or storage of customer owned material totaled approximately \$2.7 million for the 2024 period compared to approximately \$2.6 million for the 2023 period. Sales generated from flat-roll segment inventory totaled approximately \$198.1 million for the 2024 period compared to approximately \$243.1 million for the 2023 period. The average per ton selling price related to these shipments decreased from approximately \$1,011 per ton in the 2023 period to approximately \$895 per ton in the 2024 period. Sales volume for the 2024 period consisted of approximately 221,500 tons from inventory and another 42,000 tons of toll processing customer owned material compared to the 2023 period volume consisting of approximately 241,000 tons from inventory and 50,000 tons of toll processing. The decline in sales volume for the 2024 quarter was related to a combination of challenging conditions for some of our customers and extended planned downtime for equipment upgrades and maintenance at the Company's Sinton and Decatur facilities. Flat-roll segment operations recorded operating profits of approximately \$5.3 million and \$15.0 million for the 2024 period and 2023 period, respectively.

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

Tubular Segment

Tubular product segment sales for the 2024 period totaled approximately \$20.5 million compared to approximately \$22.3 million for the 2023 period. Sales decreased primarily due to a decrease in the average selling price per ton from approximately \$1,290 per ton for the 2023 period to approximately \$1,087 per ton for the 2024 quarter. Tons sold increased from approximately 17,500 tons in the 2023 period to approximately 19,000 tons in the 2024 period. The tubular segment recorded an operating loss of approximately \$1.8 million for the 2024 period compared to recording operating profit of approximately \$2.3 million for the 2023 period.

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

General, Selling and Administrative Costs

During the 2024 period, selling, general and administrative costs decreased approximately \$2.2 million compared to the 2023 period. This decrease is primarily related to lower incentive compensation expense due to the lower earnings in the 2024 period.

Income Taxes

Income taxes decreased from a provision for the 2023 period of approximately \$3.7 million to a provision for the 2024 period of approximately \$0.5 million. This decrease was primarily related to lower earnings before taxes for the 2024 period. The income tax provision as a percentage of earnings before tax was approximately 21.1% and 24.9% for the six months ended September 30, 2024 and 2023, respectively. For the six months ended September 30, 2024, the effective tax rate differed from the federal statutory rate due primarily to the inclusion of state tax expenses in the provision with this impact partially reduced by the tax effect of restricted stock vesting during the period. For the six months ended September 30, 2023, the effective tax rate differed from the federal statutory rate due primarily to the inclusion of state tax expenses in the provision.

Three Months Ended September 30, 2024 Compared to Three Months Ended September 30, 2023

During the three months ended September 30, 2024 (the "2024 quarter"), sales, cost of materials sold and adjusted gross profit decreased approximately \$24.0 million, \$21.5 million and \$2.5 million, respectively, compared to the amounts recorded during the three months ended September 30, 2023 (the "2023 quarter"). The decrease in sales was associated with both a decline in sales volume and a decrease in the average selling price per ton. Sales volume for the 2024 quarter consisted of approximately 121,500 tons from inventory and another 18,000 tons of toll processing customer owned material compared to the 2023 quarter volume consisting of approximately 129,500 tons from inventory and 26,000 tons of toll processing. The decline in sales volume for the 2024 quarter was related to a combination of weaker demand among some customers and hesitancy among others given the political uncertainty at the time. Adjusted gross profit was approximately \$18.0 million for the 2024 quarter compared to approximately \$20.5 million for the 2023 quarter. Adjusted gross profit as a percentage of sales was approximately 16.9% for the 2024 quarter compared to approximately 15.7% for the 2023 quarter.

Our operating results are significantly impacted by the market price of hot-rolled steel coil ("HRC"). HRC price declined approximately 25% during the 2023 quarter with this decline being part of a downward price cycle which commenced in April 2023. From April 2023 and to the end of the 2023 quarter, HRC price declined approximately 45%. As a result, the Company experienced compressed margins during the 2023 quarter. Entering the 2024 quarter, HRC prices were on a predominately declining trend dropping approximately 40% from January 2024 through the middle of the 2024 quarter. As a result, the Company experienced compressed physical margins during the 2024 quarter. The Company utilizes HRC futures to partially manage exposure to commodity price risk. The Company recognized hedging related gains of approximately \$0.2 million and \$4.4 million in the 2024 and 2023 quarters, respectively.

Flat-roll Segment

Flat-roll product segment sales for the 2024 quarter totaled approximately \$97.4 million compared to approximately \$120.5 million for the 2023 quarter. For a more complete understanding of the average selling prices of goods sold, it is helpful to exclude any sales generated from processing or storage of customer owned material. Sales generated from processing or storage of customer owned material totaled approximately \$1.1 million for the 2024 quarter compared to approximately \$1.3 million for the 2023 quarter. Sales generated from flat-roll segment inventory totaled approximately \$96.2 million for the 2024 quarter compared to approximately \$119.2 million for the 2023 quarter. The average per ton selling price related to these shipments decreased from approximately \$983 per ton in the 2023 quarter to approximately \$858 per ton in the 2024 quarter. Sales volume for the 2024 quarter consisted of approximately 112,000 tons from inventory and another 18,000 tons of toll processing customer owned material compared to the 2023 quarter volume consisting of approximately 121,000 tons from inventory and 26,000 tons of toll processing. The decline in sales volume for the 2024 quarter was related to a combination of weaker demand among some customers and hesitancy among others given the political uncertainty at the time. Flat-roll segment operations recorded operating profits of approximately \$2.7 million and \$3.1 million for the 2024 quarter and 2023 quarter, respectively.

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

Tubular Segment

Tubular product segment sales for the 2024 quarter totaled approximately \$9.4 million compared to approximately \$10.2 million for the 2023 quarter. Sales decreased due primarily to a decrease in the average selling price per ton from approximately \$1,217 per ton for the 2023 quarter to approximately \$1,030 per ton for the 2024 quarter. Sales volume was comparable between the periods with approximately 9,000 tons sold in the 2024 quarter compared to approximately 8,500 tons sold in the 2023 quarter. The tubular segment recorded an operating loss of approximately \$0.6 million for the 2024 quarter compared to a break even operating profit for the 2023 quarter.

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

General, Selling and Administrative Costs

During the 2024 quarter, selling, general and administrative costs decreased approximately \$0.8 million compared to the 2023 quarter. This decrease is primarily related to lower incentive compensation expense due to the lower earnings in the 2024 quarter.

Income Taxes

Income taxes decreased from a provision for the 2023 quarter of approximately \$1.1 million to a benefit for the 2024 quarter of approximately \$0.2 million. This decrease was primarily related to lower earnings before taxes for the 2024 quarter. The income tax provision or benefit as a percentage of earnings or loss before tax was approximately 25.2% and 24.6% for the three months ended September 30, 2024 and 2023, respectively. For both periods, the effective tax rate differed from the federal statutory rate due primarily to the inclusion of state tax expenses in the provision.

Non-GAAP Information

The non-GAAP measure adjusted gross profit is used in this Management's Discussion and Analysis. Adjusted gross profit is calculated as sales minus cost of materials sold. Cost of materials sold is a discrete line on our statements of operations and represents the cost associated with direct materials. To provide financial statement users with a better understanding of the Company's expenses, cost of sales is disaggregated on our statements of operations into the line items cost of materials sold, processing and warehousing expense, delivery expense and depreciation and amortization. The Company believes adjusted gross profit is a meaningful measure because our cost structure and operating results are significantly impacted by the fluctuating costs associated with direct materials.

The following table reconciles the GAAP measure for gross profit to the non-GAAP measure adjusted gross profit (in thousands):

	THREE MONTHS ENDED SEPTEMBER 30,		SIX MONTHS ENDED SEPTEMBER 30,	
	2024	2023	2024	2023
Gross profit (GAAP measure)	\$ 3,933	\$ 5,784	\$ 7,046	\$ 22,079
Processing and warehousing expense	7,861	7,409	16,558	14,582
Delivery expense	5,381	6,521	11,432	11,966
Depreciation and amortization	823	759	1,618	1,508
Adjusted gross profit (non-GAAP measure presented)	\$ 17,998	\$ 20,473	\$ 36,654	\$ 50,135

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

The Company's current ratio amounted to 4.1 at September 30, 2024 and 3.1 at March 31, 2024. Working capital was approximately \$111.7 million at September 30, 2024 and \$116.0 million at March 31, 2024.

During the six months ended September 30, 2024, 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 and restricted cash decreased due primarily to cash used for the purchase of property, plant and equipment and the reduction of debt. 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 has a \$150 million asset-based lending facility ("ABL Facility") which matures on May 19, 2026 and is secured by substantially all of the assets of the Company. The Company can elect borrowings on a floating rate basis or a term basis. Floating rate borrowings accrue interest at a rate equal to the prime rate minus 1% per annum. Term rate borrowings accrue interest at a rate equal to the SOFR rate applicable to the selected term plus 1.8% per annum. Availability of funds under the ABL Facility is subject to a borrowing base calculation determined as the sum of (a) 90% of eligible accounts receivable, plus (b) the product of 85% multiplied by the net orderly liquidating value percentage identified in the most recent inventory appraisal multiplied by eligible inventory. The ABL Facility contains a springing financial covenant whereby the financial covenant is only tested when availability falls below the greater of 15% of the revolving commitment or \$22.5 million. The financial covenant restricts the Company from allowing its fixed charge coverage ratio to be, as of the end of any calendar month, less than 1.10 to 1.00 for the trailing twelve month period then ending. The fixed charge coverage ratio is calculated as the ratio of (a) EBITDA, as defined in the ABL Facility, minus unfinanced capital expenditures to (b) cash interest expense plus scheduled principal payments on indebtedness plus taxes paid in cash plus restricted payments paid in cash plus capital lease obligation payments plus cash contributions to any employee pension benefit plans. The ABL Facility contains other representations and warranties and affirmative and negative covenants that are usual and customary. If certain conditions precedent are satisfied, the ABL facility may be increased by up to an aggregate of \$25 million, in minimum increments of \$5 million. At September 30, 2024, the Company had a balance of approximately \$35.9 million under the ABL Facility with an applicable interest rate of 7.0%. At September 30, 2024, the Company's applicable borrowing base calculation supported access to approximately \$104.7 million of the ABL Facility. As of the filing date of this Form 10-Q, the Company had borrowings of approximately \$33.1 million outstanding under the ABL Facility and the Company's most recent borrowing base calculation provided access to approximately \$98.8 million of the ABL Facility.

The Company believes that its current cash position along with cash flows from operations and borrowing capability due to its financial position are adequate to fund its expected cash requirements for the next 12 months.

HEDGING ACTIVITIES

The Company utilizes hot-rolled coil futures to manage price risk on unsold inventory and longer-term fixed price sales agreements. The Company has elected hedge accounting for some of its hedging activities previously but most recently the Company has classified its hedging activities as economic hedges of risk with mark-to-market ("MTM") accounting treatment. Hedging decisions are intended to protect the value of the Company's inventory and produce more consistent financial results over price cycles. The Company recognized gains of approximately \$0.2 million and \$5.6 million in the three month and six month periods ended September 30, 2024, respectively, related to hedging activities with all of this being classified as economic hedges of risk. With MTM accounting treatment it is possible that hedging related gains or losses might be recognized in a different fiscal quarter or fiscal year than the corresponding improvement or contraction in our physical margins. See Note H for additional information related to the Company's hedging activities.

OUTLOOK

The Company expects sales volume for the third quarter of fiscal 2025 to be slightly lower than the second quarter volume due primarily to the seasonal impact of holidays. HRC price remained stable to start the third quarter resulting in minimal change to the Company's sales prices and margins. As a result, the Company may experience a generally challenging margin environment in the third quarter.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles may require management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from any estimates. The Company did not identify any significant estimates or judgements related to the consolidated financial statements and accompanying notes presented in this Form 10-Q filing.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

From time to time, the Company may make certain statements that contain forward-looking information (as defined in the Private Securities Litigation Reform Act of 1996, as amended) and that involve risk and uncertainty. Such statements may include those risks disclosed in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of this report, including the adequacy of cash and expectations as to future sales, prices and margins. These forward-looking statements may include, but are not limited to, future changes in the Company's financial condition or results of operations, future production capacity, product quality and proposed expansion plans. Forward-looking statements may be made by management orally or in writing including, but not limited to, this Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of the Company's filings with the U.S. Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including the Company's Annual Report on Form 10-K and its other Quarterly Reports on Form 10-Q. Forward-looking statements include those preceded by, followed by or including the words "will," "expect," "intended," "anticipated," "believe," "project," "forecast," "propose," "plan," "estimate," "enable," and similar expressions, including, for example, statements about our business strategy, our industry, our future profitability, growth in the industry sectors we serve, our expectations, beliefs, plans, strategies, objectives, prospects and assumptions, and estimates and projections of future activity. These forward-looking statements are not guarantees of future performance. These statements are based on management's expectations that involve a number of business risks and uncertainties, any of which could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. Although forward-looking statements reflect our current beliefs, reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. Actual results and trends in the future may differ materially depending on a variety of factors including, but not limited to, changes in the demand for and prices of the Company's products, changes in government policy regarding steel, changes in the demand for steel and steel products in general and the Company's success in executing its internal operating plans, changes in and availability of raw materials, unplanned shutdowns of our production facilities due to equipment failures or other issues, increased competition from alternative materials and risks concerning innovation, new technologies, products and increasing customer requirements. Accordingly, undue reliance should not be placed on our forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except to the extent law requires.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not required.

Item 4. Controls and Procedures

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) and 15(d)-15(f) promulgated under the Securities Exchange Act of 1934, as amended). We have established disclosure controls and procedures designed to ensure that material information required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission and that any material information relating to us is recorded, processed, summarized and reported to our management including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. In designing and evaluating our disclosure controls and procedures, our management recognizes that controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving desired control objectives. In reaching a reasonable level of assurance, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. As required by Rule 13a-15(b) under the Exchange Act, we have evaluated, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this quarterly report. Based on this evaluation, the Company's CEO and principal financial officer have concluded that the Company's disclosure controls and procedures were effective as of the end of the fiscal quarter ended September 30, 2024 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.

There were no changes in the Company's internal control over financial reporting that occurred during the fiscal quarter ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

FRIEDMAN INDUSTRIES, INCORPORATED
Six Months Ended September 30, 2024

Part II — OTHER INFORMATION**Item 5. Other Information**

During the six months ended September 30, 2024, none of our officers or directors adopted, modified or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) and (c), respectively, of Regulation S-K, for the purchase or sale of our securities.

Item 6. Exhibits**Exhibits**

- | | | |
|---------|---|--|
| 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, as amended on November 8, 2021. (incorporated by reference from Exhibit 3.3 to the Company’s Form 10-Q filed on November 19, 2021). |
| 10.1 | — | Friedman Industries, Incorporated Key Employee Change In Control Severance Plan. |
| 31.1 | — | Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed by Michael J. Taylor. |
| 31.2 | — | Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, signed by Alex LaRue. |
| 32.1 | — | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed by Michael J. Taylor. |
| 32.2 | — | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed by Alex LaRue. |
| 101.INS | — | Inline XBRL Instance Document. |
| 101.SCH | — | Inline XBRL Taxonomy Schema Document. |
| 101.CAL | — | Inline XBRL Calculation Linkbase Document. |
| 101.DEF | — | Inline XBRL Definition Linkbase Document. |
| 101.LAB | — | Inline XBRL Label Linkbase Document. |
| 101.PRE | — | Inline XBRL Presentation Linkbase Document. |
| 104 | — | Cover Page Interactive File (formatted as Inline XBRL and contained in Exhibit 101) |

FRIEDMAN INDUSTRIES, INCORPORATED
KEY EMPLOYEE CHANGE IN CONTROL SEVERANCE PLAN

(As Adopted Effective September 18, 2024)

WHEREAS, Friedman Industries, Incorporated desires to adopt a Change In Control Severance Plan to provide severance benefits to certain officers and other key management employees as a result of a termination of employment in connection with a qualifying Change in Control transaction; and

WHEREAS, the Plan is intended to provide unfunded welfare benefits for a select group of management or highly compensated employees so as to qualify as an employee welfare benefit plan as defined in Section 3(1) of ERISA and meet the requirements of the exemption for welfare plans for certain selected employees in Department of Labor Regulation §2520.104-24 that is exempt from certain reporting and disclosure requirements under ERISA.

NOW, THEREFORE, Friedman Industries, Incorporated hereby adopts the Friedman Industries, Incorporated Key Employee Change In Control Severance Plan as set forth below, effective September 18, 2024.

1. ESTABLISHMENT AND OBJECTIVE

1.1 Establishment. Friedman Industries, Incorporated adopts the plan set forth herein which will be known as “Friedman Industries, Incorporated Key Employee Change in Control Severance Plan” (the “*Plan*”).

1.2 Objective. The Plan is intended to enable the Company to attract and retain designated officers and other key management employees and maintain a stable work environment and provide economic security to those individuals by providing replacement income and certain benefits in the event of certain terminations of employment in connection with a qualifying Change in Control transaction.

2. DEFINITIONS

Each word or phrase set forth below in this Section 2 shall have the meaning set forth in the applicable definition provided below for such word or phrase unless the context in which the word or phrase appears reasonably requires a broader, narrower or different meaning:

2.1 “Administrator” means, prior to a Change in Control, the Company, acting through the Board, or any person to whom the Administrator has delegated any authority or responsibility with respect to the Plan pursuant to Section 7, but only to the extent of such delegation. After a Change in Control, “*Administrator*” means (a) the individuals (not fewer than three (3) in number) who, on the date six months prior to the Change in Control constitute the Board, plus, (b) in the event that fewer than three (3) individuals are available from the group specified in clause (a) above for any reason, such individuals as may be appointed by the individual or individuals so available (including for this purpose any individual or individuals previously so appointed under this clause (b)); *provided, however*, that the maximum number of individuals constituting the Administrator after a Change in Control shall not exceed seven (7).

2.2 **“Affiliate”** means any corporation, partnership, limited liability company or association, trust or other entity or organization which, directly or indirectly, controls, is controlled by, or is under common control with, the Company. For purposes of the preceding sentence, “control” (including, with correlative meanings, the terms “controlled by” and “under common control with”), as used with respect to any entity or organization, shall mean the possession, directly or indirectly, of the power (a) to vote more than fifty percent (50%) of the securities having ordinary voting power for the election of directors or comparable individuals of the controlled entity or organization, or (b) to direct or cause the direction of the management and policies of the controlled entity or organization, whether through the ownership of voting securities or by contract or otherwise.

2.3 **“Assets”** means assets of any kind owned by the Company, including but not limited to securities of the Company’s direct and indirect subsidiaries and other Affiliates.

2.4 **“Average Annual Bonus”** means the average of the aggregate incentive bonuses (including both incentive bonuses paid on an annual basis and any paid on a quarterly basis) paid by the Company to the Participant during each of the three (3) years immediately prior to the date on which the Change in Control occurs; provided, however, that if a Participant’s Involuntary Termination occurs prior to consummation of a Change in Control, “Average Annual Bonus” shall mean the average of the aggregate incentive bonuses (including both incentive bonuses paid on an annual basis and any paid on a quarterly basis) paid by the Company to the Participant during each of the three (3) years immediately prior to the date on which the Participant’s Involuntary Termination occurs. If the Participant was not employed by the Company for a period long enough to qualify to be paid incentive bonuses during the three (3) year period referenced in the preceding sentence then such reference to three (3) shall be reduced to that number of years that the Participant was eligible to be paid such bonuses by the Company.

2.5 **“Base Salary”** means a Participant’s annual base salary from the Company in effect immediately preceding the Participant’s Involuntary Termination or, if greater, in effect immediately preceding the consummation of the Change in Control, and shall be determined without taking into account any reductions made without the Participant’s consent, and without taking into account any reduction for any employee-elected salary reduction contributions made to a qualified cash or deferred arrangement (within the meaning of section 401(k) of the Code) or for the purchase of benefits pursuant to a cafeteria plan (within the meaning of section 125(d) of the Code) maintained by the Company. For the avoidance of doubt, “Base Salary” does not include incentive pay, premium pay, commissions, overtime, bonuses or any other form of variable compensation.

2.6 **“Beneficial Owner”** or **“Beneficial Ownership”** shall have the meaning ascribed to those terms in Rule 13d-3 of the General Rules and Regulations under the Exchange Act.

2.7 **“Board”** means the Board of Directors of the Company.

2.8 **“Cause”** shall mean:

(a) willful failure by the Participant to substantially perform the Participant’s duties with the Company or the acquirer in a Change in Control transaction or the Affiliate of either the Company or the acquirer (other than any such failure resulting from the Participant’s incapacity due to physical or mental illness);

(b) the Participant willfully engaging in conduct which is injurious, whether monetarily or otherwise, to the Company or the acquirer in a Change in Control transaction or the Affiliate of either the Company or the acquirer;

(c) the Participant's commission of, or plea of guilty or no contest to, a felony or a crime involving moral turpitude or the commission of any other act involving willful malfeasance or material fiduciary breach with respect to the Company or the acquirer in a Change in Control transaction or the Affiliate of either the Company or the acquirer;

(d) the Participant's material and continued willful violation of any agreement with the Company or the acquirer in a Change in Control transaction or the Affiliate of either the Company or the acquirer; or

(e) the Participant's willful violation of state or federal securities laws.

For purposes of this definition, no act, or failure to act, on the Participant's part shall be deemed "willful" if done, or omitted to be done, by the Participant in good faith and with reasonable belief that the act, or failure to act, was in the best interest of the Company or the acquirer in a Change in Control transaction or the Affiliate of either the Company or such acquirer.

2.9 "Change in Control" means the occurrence of any of the following events:

(a) the consummation of a Merger of the Company with another Entity, *unless* the individuals and Entities who were the Beneficial Owners of the Voting Securities of the Company outstanding immediately prior to such Merger own, directly or indirectly, at least 50 percent of the combined voting power of the Voting Securities of any of the Company, the surviving Entity or the parent of the surviving Entity outstanding immediately after such Merger;

(b) any Person, other than a Specified Owner, becomes a Beneficial Owner, directly or indirectly, of securities of the Company representing 30 percent or more of the combined voting power of the Company's then outstanding Voting Securities;

(c) the individuals who are Incumbent Directors cease for any reason to constitute a majority of the members of the Board;

(d) a sale, transfer, lease or other disposition of all or substantially all of the Company's Assets is consummated (an "*Asset Sale*"), *unless*:

(1) the individuals and Entities who were the Beneficial Owners of the Voting Securities of the Company immediately prior to such Asset Sale own, directly or indirectly, 50 percent or more of the combined voting power of the Voting Securities of the Entity that acquires such Assets in such Asset Sale or its parent immediately after such Asset Sale in substantially the same proportions as their ownership of the Company's Voting Securities immediately prior to such Asset Sale; or

(2) the individuals who comprise the board of directors or other governing body of the Company immediately prior to such Asset Sale constitute a majority of the board of directors or other governing body of either the Entity that acquired such Assets in such Asset Sale or its parent (or a majority plus one member where such board or other governing body is comprised of an odd number of directors); or

(e) the stockholders or members of the Company approve a plan of complete liquidation or dissolution of the Company.

For the avoidance of doubt, a transaction will not constitute a Change in Control if its sole purpose is to (i) change the state of the Company's incorporation, or (ii) create a holding company that will be owned in substantially the same proportions by the Persons who held the Company's securities immediately before such transaction.

2.10 "Change in Control Period" means the period beginning on the date three (3) months prior to, and ending on the date that is eighteen (18) months following, the occurrence of a Change in Control.

2.11 "Code" means the Internal Revenue Code of 1986, as amended, or any successor act.

2.12 "Company" means Friedman Industries, Incorporated, a Texas corporation.

2.13 "Company Group" means the Company and its subsidiaries.

2.14 "Effective Date" means September 18, 2024, the date on which the Plan was adopted.

2.15 "Entity" means any corporation, partnership, association, joint-stock company, limited liability company, trust, unincorporated organization or other business entity.

2.16 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended, or any successor act.

2.17 "Exchange Act" means the Securities Exchange Act of 1934, as amended, or any successor act.

2.18 "Good Reason" shall mean the occurrence (without the Participant's express written consent) after any Change in Control and before the end of the Change in Control Period of any one of the following acts by the Company or an Affiliate employing the Participant, or failures by the Company or an Affiliate employing the Participant to act, unless, in the case of any act or failure to act described below which can be corrected by the Company or an Affiliate, such act or failure to act is corrected prior to the effective date of the Participant's termination of employment for Good Reason:

(a) the assignment to the Participant of any duties or responsibilities which are substantially diminished as compared to the Participant's duties and responsibilities immediately prior to a Change in Control or a material change in the Participant's reporting responsibilities, titles or offices as a key management employee of the Company and as in effect immediately prior to the Change in Control;

(b) a material reduction in the Participant's Base Salary as in effect immediately prior to a Change in Control;

(c) a material reduction in the Participant's aggregate annual bonus compensation (except for across the board reductions similarly affecting all individuals having a similar level of authority and responsibility with the Company and its Affiliates and all individuals having a similar level of authority and responsibility with any Person in control of the Company);

(d) a material reduction in the employee benefits provided to the Participant immediately prior to the Change in Control;

(e) the failure by the Company or an Affiliate to continue in effect any compensation plan in which the Participant participates immediately prior to the Change in Control which is material to the Participant's total compensation, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Company or an Affiliate to continue the Participant's participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount or timing of payment of benefits provided and the level of the Participant's participation relative to other participants, as existed immediately prior to the Change in Control;

(f) the failure by the Company or an Affiliate to continue to provide the Participant with benefits substantially similar to those enjoyed by the Participant under any of the Company's pension, savings, retirement, stock ownership, life insurance, medical, health and accident, or disability plans in which the Participant was participating immediately prior to the Change in Control (except for across the board changes similarly affecting all individuals having a similar level of authority and responsibility with the Company and its Affiliates and all individuals having a similar level of authority and responsibility with any Person in control of the Company), the taking of any other action by the Company or an Affiliate which would directly or indirectly materially reduce any of such benefits or deprive the Participant of any material fringe benefit enjoyed by the Participant at the time of the Change in Control, or the failure by the Company or an Affiliate to provide the Participant with the number of paid vacation days to which the Participant is entitled on the basis of years of service with the Company in accordance with the Company's normal vacation policy in effect immediately prior to the time of the Change in Control;

(g) relocation of the Participant's principal place of employment by more than 25 miles from the Participant's then current principal place of employment (provided that such relocation results in an increase to the Participant's daily commute); or

(h) any purported termination of the Participant's employment which is not effected pursuant to a Notice of Termination satisfying the requirements of Section 4.2 hereof;

provided that (i) the Participant provides written notice of any such change, reduction or requirement upon which the Participant intends to rely as the basis for a Good Reason termination to the Company, or its successor, within 90 days of the occurrence of such change, reduction or requirement, (ii) the Company, or its successor, fails to remedy the condition constituting such change, reduction or requirement within 30 days following receipt of the Participant's notice, and (iii) the Participant terminates his or her employment within 120 days following the occurrence of such change, reduction or requirement.

2.19 "Incumbent Director" means:

(a) a member of the Board on the Effective Date; or

(b) an individual:

(i) who becomes a member of the Board after the Effective Date;

(ii) whose appointment or election by the Board or nomination for election by the Company's stockholders is approved or recommended by a vote of at least two-thirds of the then serving Incumbent Directors (as defined herein); and

(iii) whose initial assumption of service on the Board is not in connection with an actual or threatened election contest.

2.20 "Involuntary Termination" shall have the meaning set forth in Section 4.1,

2.21 "Merger" means a merger, consolidation or similar transaction.

2.22 "Participant" means an officer or key management employee of the Company who is and remains eligible to participate in the Plan under the provisions of Section 3, has been designated by the Administrator to participate in the Plan and has timely and properly executed and delivered a Participation Agreement to the Company.

2.23 "Participation Agreement" means an agreement in the form prescribed by the Administrator designating the Participant as eligible to participate in the Plan and under which the Participant accepts the terms and conditions of the Plan.

2.24 "Person" shall have the meaning ascribed to the term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d) thereof, except that the term shall not include (a) the Company or any of its Affiliates, (b) a trustee or other fiduciary holding Company securities under an employee benefit plan of the Company or any of its Affiliates, (c) an underwriter temporarily holding securities pursuant to an offering of those securities or (d) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

2.25 **“Plan”** means the Friedman Industries, Incorporated Key Employee Change in Control Severance Plan, as set forth herein and as it may hereafter be amended from time to time.

2.26 **“Pro-Rata Bonus”** means a pro rata bonus equal to the amount of the Participant’s Average Annual Bonus described in Section 2.4 multiplied by a fraction, the numerator of which is the number of calendar days, in the year with respect to which such pro rata bonus is to be determined, that the Participant was employed by the Company Group and the denominator of which is three hundred sixty-five (365).

2.27 **“Section 409A”** means section 409A of the Code and the Department of Treasury rules and regulations issued thereunder.

2.28 **“Severance Benefits”** means the compensation and other benefits that the Participant will be provided in the circumstances described in Section 4 or as otherwise set forth in the Participant’s Participation Agreement.

2.29 **“Severance Multiplier”** means, for a Participant, the amount set forth in the last column of Exhibit A next to such Participant’s name and position.

2.30 **“Specified Owner”** means any of the following:

(a) the Company;

(b) an Affiliate of the Company;

(c) an employee benefit plan (or related trust) sponsored or maintained by the Company or any Affiliate of the Company;

(d) a Person that becomes a Beneficial Owner of the Company’s outstanding Voting Securities representing 30 percent or more of the combined voting power of the Company’s then outstanding Voting Securities as a result of the acquisition of securities directly from the Company and/or its Affiliates; or

(e) a Person that becomes a Beneficial Owner of the Company’s outstanding Voting Securities representing 30 percent or more of the combined voting power of the Company’s then outstanding Voting Securities as a result of a Merger if the individuals and Entities who were the Beneficial Owners of the Voting Securities of the Company outstanding immediately prior to such Merger own, directly or indirectly, at least 50 percent of the combined voting power of the Voting Securities of any of the Company, the surviving Entity or the Company of the surviving Entity outstanding immediately after such Merger in substantially the same proportions as their ownership of the Voting Securities of the Company outstanding immediately prior to such Merger.

2.31 **“Voting Securities”** means the outstanding securities entitled to vote generally in the election of directors or other governing body.

3. ELIGIBILITY

3.1 Eligibility to Participate in the Plan. An officer or other key management employee of the Company is eligible to participate in the Plan if such individual is designated by the Administrator to participate in the Plan and is included on Exhibit A hereto as a Participant, as such Exhibit A may be amended from time to time by the Administrator. The Participants shall be limited to a select group of management or highly compensated employees within the meaning of Sections 201, 301, and 404 of ERISA. Notwithstanding any other provision of the Plan, an employee of the Company shall not be eligible to participate in the Plan if there is in effect an individual severance agreement (including but not limited to any employment agreement that provides for severance benefits) or change in control agreement between the employee and the Company. A Participant shall cease to be a Participant if his or her employment terminates in any manner that does not qualify as an Involuntary Termination or as provided in Section 3.3.

3.2 Eligibility for Severance Benefits. A Participant is eligible to receive Severance Benefits under the Plan, as described in Section 5, only if he or she experiences an Involuntary Termination described in Section 4.

3.3 Discontinuance of Participation. Notwithstanding any other provision of the Plan, the Administrator may discontinue an individual's participation in the Plan at any time by providing him or her written notice (the "*Notice*") that he shall no longer participate in the Plan, provided, however, that a Change in Control has not occurred and the discontinuation of the individual's participation in the Plan is not taken in anticipation of a Change in Control. If a Change in Control occurs within 12 months after the date the Notice is provided then there shall be a rebuttable presumption that the discontinuation of the individual's participation in the Plan was taken in anticipation of a Change in Control unless the Administrator rebuts such presumption by clear and convincing evidence.

4. INVOLUNTARY TERMINATION

4.1 Termination Without Cause or Good Reason Termination During the Change in Control Period. If during the Change in Control Period, (a) a Participant terminates his or her employment with the Company (or any Affiliate of the Company) for Good Reason, or (b) the Company (or any Affiliate of the Company) terminates the Participant's employment for a reason other than Cause and other than due to the Participant's death or long-term disability (such termination of employment described in (a) and (b) is referred to herein as an "*Involuntary Termination*"), then, subject to the Participant's compliance with Section 4.3, the Participant will receive the Severance Benefits from the Company as provided in Section 5. For purposes of any determination regarding the existence of Good Reason, any claim by the Participant that Good Reason exists shall be presumed to be correct unless the Company establishes to the Administrator by clear and convincing evidence that Good Reason does not exist. The Administrator's determination regarding the existence of Good Reason shall be conclusive and binding upon all parties unless the Administrator's determination is arbitrary and capricious.

4.2 Notice of Termination. After a Change in Control, any purported termination of the Participant's employment by the Company or an Affiliate or the Participant shall be communicated by a written Notice of Termination sent in accordance with Section 12.7 hereof. A "**Notice of Termination**" shall mean a notice which shall indicate the specific termination provision in the Plan relied upon for such termination and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Participant's employment under the provision so indicated. The Notice of Termination shall set forth the date of any purported termination of the Participant's employment after the occurrence of a Change in Control (and, in the case of a termination by the Company or an acquirer, shall not be less than thirty (30) days after the date the Notice of Termination is delivered to the Participant). Further, a Notice of Termination for Cause is required to include a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the board of directors (or comparable individuals) of the acquirer in the Change in Control transaction at a meeting of such board of directors (or comparable individuals) which was called and held for the purpose of considering such termination (after reasonable notice to the Participant and an opportunity for the Participant, together with the Participant's counsel, to be heard before such board of directors (or comparable individuals)) finding that, in the good faith opinion of the body, the Participant was guilty of conduct set forth in the definition of Cause, and specifying the particulars thereof in detail. No purported termination of the Participant's employment by the Company or its successor or an Affiliate of the Company or its successor after a Change in Control shall be effective unless the Company complies with the procedures set forth in this Section 4.2.

4.3 Separation Agreement and Release. As a condition to receiving Severance Benefits under the Plan, a Participant who incurs an Involuntary Termination must properly execute and deliver to the Administrator, and not revoke, a separation agreement and release of all claims in favor of the Company Group in the form provided by the Administrator to the Participant not later than five (5) business days following the date the Participant incurs an Involuntary Termination (a "**Release**"), and such Release must become effective and irrevocable no later than the sixtieth (60th) day following the date on which the Participant incurred an Involuntary Termination (such sixtieth (60th) day is referred to as the "**Release Deadline Date**"). If the Participant's Release does not become effective and irrevocable by the Release Deadline Date, the Participant will cease to be a Participant in the Plan and will forfeit all rights and benefits under the Plan including, without limitation, any right to the Severance Benefits that otherwise would be payable under the Plan. In no event will any Severance Benefits be paid or provided to a Participant until the Release from the Participant becomes effective and irrevocable.

4.4 Other Requirements. A Participant's receipt of Severance Benefits will be subject to the Participant continuing to comply with the provisions of the Plan and the Release and the terms of any confidentiality, proprietary information and invention agreements and such other appropriate agreements between the Participant and the Company Group (or any member thereof). Severance Benefits under this Plan will terminate immediately for a Participant if the Participant, at any time, materially violates any such agreement and/or the provisions of the Release.

5. BENEFITS

5.1 Severance Benefits. If a Participant incurs an Involuntary Termination and the Participant's Release is effective and irrevocable by the Release Deadline Date, the Company will pay or provide the Participant the Severance Benefits set forth below:

(a) **Cash Severance.** A lump sum payment in cash equal to the sum of: (i) the product of the Participant's Severance Multiplier times the sum of the Participant's (A) Base Salary and (B) Average Annual Bonus, plus (ii) the Participant's Pro-Rata Bonus.

(b) **Group Health Plan Payment.** A cash payment equal to the product of the Participant's Severance Multiplier times 12 times the monthly contribution the Company makes to the cost for the Participant and, where applicable, the Participant's spouse and dependents, to participate in the Company Group's medical, dental and vision coverage, calculated based on the Company Group's contribution cost for such coverage for the month immediately preceding the date the employee incurs an Involuntary Termination.

(c) **Outplacement Services.** The Company shall, at its sole cost and expense, provide the Participant with outplacement services with the person or entity of the Participant's choosing from among the Company's preferred outplacement providers suitable to the Participant's position for a period of one year or, if earlier, until the first acceptance by the Participant of an offer of employment; provided, however, that in no event shall the value of the outplacement services provided hereunder to any Participant exceed \$10,000.

5.2 Effect on Other Plans, Agreements and Benefits. Any severance benefits payable to a Participant under the Plan will be reduced by and not in addition to any severance benefits to which the Participant would otherwise be entitled under any general severance policy or severance plan maintained by any member of the Company Group or any agreement between the Participant and any member of the Company Group that provides for severance benefits (unless the policy, plan or agreement expressly provides for severance benefits to be in addition to those provided under this Plan), and any severance benefits payable to a Participant under the Plan will be reduced by any severance benefits to which the Participant is entitled by operation of a statute or government regulations. Notwithstanding anything herein to the contrary, the Plan does not affect the terms of any outstanding equity or other incentive-based compensation awards, including, without limitation and without limiting the generality of this Section 5.2, under the Friedman Industries, Incorporated 2016 Restricted Stock Plan. The treatment of any such awards will be determined in accordance with the terms of the plans under which they were granted and any applicable award agreements.

5.3 Timing of Severance Benefits. The cash Severance Benefits described in Sections 5.1(a) and 5.1(b) that are payable to the Participant shall be paid in a lump sum on the Company's first regularly scheduled payroll date following the Release Deadline Date subject to any delay in payment to the Specified Employee Payment Date required by Section 12.9. If a Participant dies after the date he provides the Release but before the Participant receives full payment of the benefits to which he is entitled, any unpaid benefits will be paid to the Participant's surviving spouse, or if the Participant does not have a surviving spouse, to the Participant's estate.

6. WITHHOLDING

The Company or any Affiliate employing the Participant may withhold from any Severance Benefits paid under the Plan all income, employment, and other taxes required to be withheld under applicable law.

7. PLAN ADMINISTRATION

7.1 Powers. The Administrator shall administer the Plan and has all powers reasonably necessary to carry out its responsibilities under the Plan including (but not limited to) the sole and absolute discretionary authority to interpret the Plan, prescribe, amend and rescind rules and regulations under the Plan and make all other determinations necessary or advisable for the administration of the Plan, subject to all of the provisions of the Plan. Any reasonable determination made in good faith by the Administrator in carrying out, administering or construing the Plan shall be final and binding for all purposes and upon all interested persons and their respective heirs, successors, and legal representatives.

7.2 Delegation. The Administrator may delegate any of its duties hereunder to such person or persons from time to time as it may designate.

7.3 Employment of Third Parties. The Administrator is empowered, on behalf of the Plan, to engage accountants, legal counsel and such other personnel as it deems necessary or advisable to assist it in the performance of its duties under the Plan. The functions of any such persons engaged by the Administrator shall be limited to the specified services and duties for which they are engaged, and such persons shall have no other duties, obligations or responsibilities under the Plan. Such persons shall exercise no discretionary authority or discretionary control respecting the management of the Plan. All reasonable expenses thereof shall be borne by the Company or its successor.

7.4 Limitation of Liability. In no event shall the Administrator be personally liable for any action, determination or interpretation made in good faith with respect to the Plan. The Administrator shall be indemnified and held harmless by the Company against any cost or expense (including counsel fees) reasonably incurred by the Administrator or liability (including any sum paid in settlement of a claim with the approval of the Company) arising out of any act or omission to act in connection with the Plan, unless arising out of the Administrator's own fraud or bad faith. Such indemnification shall be in addition to any rights of indemnification the Administrator may have as an officer or director or otherwise under the bylaws of the Company.

8. AMENDMENT AND TERMINATION

Subject to the restrictions set forth in this Section 8, the Board may amend or terminate the Plan at any time. After a Change in Control occurs, the Plan may not be terminated or amended in any manner that would negatively affect a Participant's rights under the Plan. Further, the Board may not amend or terminate the Plan in anticipation of a Change in Control in any manner that would negatively affect a Participant's rights under the Plan. If a Change in Control occurs within 12 months after the date the Board amends or terminates the Plan then there shall be a rebuttable presumption that the amendment or termination of the Plan was made in anticipation of a Change in Control and shall not be effective in any manner that would negatively affect a Participant's rights under the Plan unless the Administrator rebuts such presumption by clear and convincing evidence.

9. SECTION 280G

9.1 Benefit Reduction. Notwithstanding anything in the Plan or any other plan or agreement to the contrary, in the event that any payment or benefit received or to be received by a Participant (whether pursuant to the terms of the Plan or any other plan, arrangement or agreement) (all such payments and benefits, the “**Total Payments**”) would not be deductible (in whole or in part) by the member of the Company Group making such payment or providing such benefits as a result of section 280G of the Code, then, to the extent necessary to make such portion of the Total Payments deductible, the portion of the Total Payments that do not constitute deferred compensation within the meaning of section 409A shall first be reduced (if necessary, to zero), and all other Total Payments shall thereafter be reduced (if necessary, to zero) with cash payments being reduced before non-cash payments, and payments to be paid last being reduced first, but only if (i) the net amount of such Total Payments, as so reduced (and after subtracting the net amount of federal, state and local income taxes on such reduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such reduced Total Payments) is greater than or equal to (ii) the net amount of such Total Payments without such reduction (but after subtracting the net amount of federal, state and local income taxes on such Total Payments and the amount of excise tax under Section 4999 of the Code (and any comparable state or local tax) to which the Participant would be subject in respect of such unreduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such unreduced Total Payments).

9.2 Determination. Any determination required under this Section 9 shall be made in writing in good faith by an accounting firm selected in good faith by the Company (the “**Accountants**”). The Company and the Participant shall provide the Accountants with such information and documents as the Accountants may reasonably request in order to make a determination under this Section 9. For purposes of making the calculations and determinations required by this Section 9, the Accountants may rely on reasonable, good faith assumptions and approximations concerning the application of section 280G and section 4999 of the Code. The Accountants’ determinations shall be final and binding on the Company and the Participant.

10. CLAIM AND APPEAL PROCEDURES

10.1 Claim for Benefits. An individual who believes that he or she is entitled to, but has not received, benefits under the Plan (the “**claimant**”), or the claimant’s authorized representative, may present a claim for benefits to the Administrator at the address set forth in Section 12.7. All claims for benefits under the Plan shall be made in writing to the Administrator within sixty (60) days of the date of the alleged occurrence giving rise to the claim, and shall state the nature of the claim, the facts supporting the claim, the amount claimed, and the address of the claimant. The Administrator shall review the claim, and if the claim is wholly or partially denied, the Administrator shall, within ninety (90) days after receipt of the claim, give written or electronic notice to the claimant of the adverse benefit determination with respect to the claim (unless the Administrator determines that special circumstances require an extension of time for processing the claim, provided the extension does not exceed ninety (90) days and (i) the special circumstances causing the extension and (ii) the date by which the Administrator expects to render the benefit determination are communicated to the claimant in writing within the initial ninety (90) day period). Such notice shall be written in a manner calculated to be understood by the claimant and shall set forth (a) the specific reasons for the adverse determination, (b) references to the specific Plan provisions on which the determination is based, (c) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary, and (d) a description of the appeal procedures under the Plan and the time limits applicable to such procedures, including a statement of the claimant’s right to bring a civil action under Section 502(a) of ERISA following an adverse benefit determination on appeal.

10.2 Appeal. If a claim is denied in whole or in part, the claimant may appeal the denial by filing a written request for review with the Administrator at the address set forth in Section 12.7 within sixty (60) days after the notice of the adverse benefit determination has been received by the claimant. The claimant shall be provided, upon request and free of charge, reasonable access to and copies of all documents, records and other information relevant to the claimant's claim. The claimant may submit written comments, documents, records and other information relating to the claim to the Administrator within the sixty (60) day period. The review on appeal will take into account all information submitted on appeal, whether or not it was provided for in the initial benefit determination. The Administrator shall review the appeal and, within sixty (60) days after receipt of the appeal, give written or electronic notice to the claimant of the decision with respect to the appeal (unless the Administrator determines that special circumstances require an extension of time for processing the appeal, provided the extension does not exceed sixty (60) days and (i) the special circumstances causing the extension and (ii) the date by which the Administrator expects to render the determination on review are communicated to the claimant in writing within the initial sixty (60) day period). The notice shall be written in a manner calculated to be understood by the claimant, and in the case of an adverse determination, such notice shall include (a) specific reasons for the adverse determination, (b) references to the specific Plan provisions on which the determination is based, and (c) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to the claimant's claim.

10.3 Arbitration. If a claim is denied on appeal, any further dispute or controversy regarding such claim or appeal arising out of or relating to the Plan, including without limitation, any and all disputes, claims (whether in tort, contract, statutory or otherwise) or disagreements concerning the interpretation or application of the provisions of the Plan shall be resolved by arbitration in accordance with the rules of the American Arbitration Association (the "AAA") then in effect. No arbitration proceeding relating to the Plan may be initiated by the Participant unless the claims review and appeals procedures specified in this Section 10 have been exhausted. Within twenty (20) business days of the initiation of an arbitration hereunder, the Company (or acquirer) and the Participant will each separately designate an arbitrator, and within twenty (20) business days of selection, the appointed arbitrators will appoint a neutral arbitrator from the AAA Panel of Commercial Arbitrators. The arbitrators shall issue their written decision (including a statement of finding of facts) within thirty (30) days from the date of the close of the arbitration hearing. The decision of the arbitrators selected hereunder will be final and binding on all parties. This arbitration provision is expressly made pursuant to and shall be governed by the Federal Arbitration Act, 9 U.S.C. Sections 1-16 (or replacement or successor statute). Pursuant to Section 9 of the Federal Arbitration Act, the Company (or any acquirer) and any Participant agree that a judgment of the United States District Court for the District in which the headquarters of the Company is located at the time of initiation of an arbitration hereunder may be entered upon the award made pursuant to the arbitration.

10.4 Administrator's Authority. The Administrator shall have sole, absolute discretion over claims and appeals issues and determinations regardless of the timing of such determination or exercise of such discretion.

11. UNFUNDED STATUS

The Participant shall have no right, title, or interest whatsoever in or to any assets of the Company or any investments which the Company may make to aid it in meeting its obligations under the Plan. The Participant's right to receive payments under the Plan shall be no greater than the right of an unsecured general creditor of the Company.

12. MISCELLANEOUS

12.1 Plan Not an Employment Contract. The adoption and maintenance of the Plan is not a contract between the Company and its employees that gives any employee the right to be retained in its employment. Likewise, it is not intended to interfere with the rights of the Company to terminate an employee's employment at any time with or without notice and with or without cause or to interfere with an employee's right to terminate his or her employment at any time.

12.2 Alienation Prohibited. No benefits hereunder shall be subject to anticipation or assignment by a Participant, to attachment by, interference with, or control of any creditor of a Participant, or to being taken or reached by any legal or equitable process in satisfaction of any debt or liability of a Participant prior to its actual receipt by the Participant. Any attempted conveyance, transfer, assignment, mortgage, pledge, or encumbrance of the benefits hereunder prior to payment thereof shall be void.

12.3 Severability. Each provision of the Plan may be severed. If any provision is determined to be invalid or unenforceable, that determination shall not affect the validity or enforceability of any other provision.

12.4 Binding Effect. The Plan shall be binding upon any successor of the Company. Further, the Company and the Board shall not authorize a Change in Control that is a Merger or a sale transaction unless the acquirer or the Company's successor agrees to take such actions as are necessary to cause all Participants to be paid or provided all benefits due under the terms of the Plan as in effect immediately prior to the Change in Control.

12.5 No Mitigation. The Company agrees that if the Participant's employment with the Company terminates during the term of the Plan, the Participant is not required to seek other employment or to attempt in any way to reduce any amounts payable to the Participant by the Company pursuant to the Plan. Further, except as expressly provided otherwise herein, the amount of any payment or benefit provided for in the Plan shall not be reduced by any compensation earned by the Participant as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by the Participant to the Company, or otherwise.

12.6 Other Amounts Due. Except as expressly provided otherwise herein, the payments and benefits provided for in the Plan are in addition to and not in lieu of amounts and benefits that are earned by a Participant prior to his Involuntary Termination. The Company shall pay a Participant any compensation earned prior to the date the Participant incurs an Involuntary Termination but not previously paid the Participant. Further the Participant shall be entitled to any other amounts or benefits due the Participant in accordance with any contract, plan, program or policy of the Company or any of its Affiliates. Amounts that the Participant is entitled to receive under any plan, program, contract or policy of the Company or any of its Affiliates at or subsequent to the Participant's Involuntary Termination shall be payable or otherwise provided in accordance with such plan, program, contract or policy, except as expressly modified herein.

12.7 Notices to Participants. For the purpose of the Plan, notices provided for in the Plan shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, addressed, in the case of a notice to the Participant, to the Participant's residential address shown in the records of the Company, or to such other address as the Participant may have furnished to the Company in writing, and in the case of a notice to the Company or any Affiliate, to the address of the Company's then current Corporate Headquarters.

12.8 Governing Law. All provisions of the Plan shall be construed in accordance with the laws of the State of Texas, except to the extent preempted by federal law and except to the extent that the conflicts of laws provisions of the State of Texas would require the application of the relevant law of another jurisdiction, in which event the relevant law of the State of Texas will nonetheless apply, with venue for litigation being solely and exclusively in Houston, Texas.

12.9 Compliance With Section 409A. It is intended that payments and benefits under the Plan comply with Section 409A, to the extent subject thereto, or with an exemption thereunder, and accordingly, to the maximum extent permitted, the Plan shall be interpreted accordingly. Any payments or benefits under the Plan that may be excluded from Section 409A either as separation pay due to an involuntary separation from service, as a short-term deferral or otherwise shall be excluded from Section 409A to the maximum extent possible. For purposes of Section 409A, each installment payment provided under the Plan shall be treated as a separate payment. Notwithstanding anything contained herein to the contrary, a Participant shall not be considered to have terminated employment with the Company Group for purposes of any payments under the Plan which are subject to Section 409A until the Participant has incurred a "separation from service" from the Company Group within the meaning of Section 409A. Without limiting the foregoing and notwithstanding anything contained herein to the contrary, if the Participant is a "specified employee" (as that term is defined for purposes of Section 409A) as of the date of his or her separation from service then to the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A, amounts that are required to comply with, and are not otherwise exempt from, Section 409A and that would otherwise be payable and benefits that would otherwise be provided pursuant to the Plan during the six-month period immediately following the Participant's separation from service (or, if earlier, the Participant's date of death) (such date of payment, the "**Specified Employee Payment Date**"). The aggregate of any such payments that would otherwise have been paid before the Specified Employee Payment Date shall be paid to the Participant in a lump sum (without interest) on the Specified Employee Payment Date and thereafter, any remaining payments shall be paid without delay in accordance with their original schedule. To the extent required to avoid an accelerated or additional tax under Section 409A, amounts reimbursable to a Participant under the Plan shall be paid to the Participant on or before the last day of the year following the year in which the expense was incurred, the amount of expenses eligible for reimbursement (and in kind benefits provided to the Participant) during one calendar year may not affect amounts reimbursable or in kind benefits provided in any other calendar year, and any right to reimbursements or in-kind benefits under this Plan shall not be subject to liquidation or exchange for another benefit. The Company Group makes no representation that any or all of the payments described in the Plan will be exempt from or comply with Section 409A and makes no undertaking to preclude Section 409A from applying to any such payment, and in no event shall the Company Group be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by a Participant on account of any non-compliance with Section 409A.

12.10 Number and Gender. As used in the Plan, unless the context otherwise expressly requires to the contrary, references to the singular include the plural, and vice versa; references to the masculine include the feminine and neuter; references to "including" mean "including (without limitation)"; and references to Sections and clauses mean the sections and clauses of the Plan.

12.11 Headings. The headings of Sections herein are included solely for convenience, and if there is any conflict between such headings and the text of the Plan, the text shall control.

IN WITNESS WHEREOF, the Company has caused the Plan to be executed effective the Effective Date.

FRIEDMAN INDUSTRIES, INCORPORATED

By: /s/ Michael J. Taylor

Name: Michael J. Taylor

Title: President and CEO

Date: September 18, 2024

I, Michael J. Taylor, certify that:

1. I have reviewed this report on Form 10-Q 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: November 12, 2024

/s/ MICHAEL J. TAYLOR
President and Chief Executive Officer

I, Alex LaRue, certify that:

1. I have reviewed this report on Form 10-Q 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: November 12, 2024

/s/ ALEX LARUE

Chief Financial Officer – Secretary and Treasurer

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

Not Filed Pursuant to the Securities Exchange Act of 1934

In connection with the Quarterly Report of Friedman Industries, Incorporated (the "Company") on Form 10-Q for the period ended September 30, 2024, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Michael J. Taylor, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as amended, that:

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

Dated: November 12, 2024

By: /s/ Michael J. Taylor
Name: Michael J. Taylor
Title: President and Chief Executive Officer

