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Midwesco® Filter Resources, Inc.

# Press Release

## **MFRI Reports Record Sales and Earnings for Year Ended 1/31/07, with Net Sales up 38% and Net Income up 765% Compared to Prior Year. 2007 Begins with Record Backlog, Almost Double the Prior Year's Level**

**Niles, IL** - MFRI, Inc. (NASDAQ NM:MFRI), is a leading manufacturer of factory pre-insulated specialty piping systems for oil and gas gathering, district heating and cooling and other specialty applications; custom-designed industrial filtration products to remove particulates from dry gas streams; and thermal transfer equipment to remove heat from molding, printing and other industrial processes.

For the year ended January 31, 2007 ("2006"), net sales were \$213,471,000, up 38.1% from \$154,587,000 in the prior year. Net income for the year ended January 31, 2007 was \$4,593,000, up 765.0% from the prior year, or \$0.86 per share (\$0.82 diluted) versus \$531,000 or \$0.10 per share (\$0.10 diluted) for the prior year.

Net sales in 2006 for the Piping Systems business increased by 50.3%, the Filtration Products business increased by 34.1%, and the Industrial Process Cooling Equipment business increased by 15.9%. Sales increased in each business segment due to the better economic environment, a higher starting backlog and the implementation by the Company of a more global strategy.

Net sales for the fourth quarter of 2006 were \$48,815,000, 27.4% greater than the \$38,310,000 for the prior-year's quarter. The net loss for the fourth quarter of 2006 was \$592,000 or \$0.12 per share (\$0.10 diluted), versus a net loss of \$1,094,000 or \$0.21 per share (\$0.19 diluted) in the prior year's fourth quarter. Sales for the fourth quarter of 2006 compared to the prior year's fourth quarter increased in the Filtration Products and Piping Systems business segments and decreased in the Industrial Process Cooling segment: the Filtration Products business increased by 45.5%, the Piping Systems business increased by 21.5%, and the Industrial Process Cooling business decreased by 4.2%

Due to the seasonality of the Company's Piping Systems business, sales and earnings are typically lower during the late fall, winter and early spring (fourth and first quarters), due to unfavorable weather for construction over much of North America and are correspondingly higher during the late spring, summer and early fall months (second and third quarters).

The backlog on January 31, 2007 increased by \$48.5 million or 97.9% to \$98.1 million when compared to the backlog on the same date a year earlier. The Filtration Products and Piping Systems business segments showed substantial year-over-year backlog increases; Filtration Products backlog was up 79.2% to \$36.6

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million and Piping Systems was up 133.5% to \$46.4 million. The backlog of the Industrial Process Cooling Equipment segment decreased by 26.9% to \$6.8 million.

David Unger, CEO said, "We are very pleased with our record sales and earnings this year. Our record backlog along with substantial future business opportunities should help us continue our Company's growth. We are profiting from a favorable business environment for all our businesses and from our emphasis on global strategies. This includes our new plants in United Arab Emirates and South Africa, as well as our stepped-up activities in global sourcing."

Form 10-K for the year ended January 31, 2007 will be filed later this week and be accessible at <http://www.sec.gov/>. The Company welcomes all inquiries at (847) 966-1000. For more information, visit the Company's web site [www.mfri.com](http://www.mfri.com).

Statements and other information contained in this announcement which can be identified by the use of forward-looking terminology such as "anticipate," "may," "will," "expect," "continue," "remain," "intend," "aim," "should," "prospects," "could," "future," "potential," "believes," "plans," "likely," and "probable," or the negative thereof or other variations thereon or comparable terminology, constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934 as amended and are subject to the safe harbors created thereby. These statements should be considered as subject to the many risks and uncertainties that exist in the Company's operations and business environment. Such risks and uncertainties include, but are not limited to, economic conditions, market demand and pricing, competitive and cost factors, raw material availability and prices, global interest rates, currency exchange rates, labor relations and other risk factors.

MFRI, INC. AND SUBSIDIARIES  
Condensed Statements of Operations and Related Data  
(In 000's except per share data)

Operating Statement Information	Three Months Ended January 31, 2007		Three Months Ended January 31, 2007	
	2007	2006	2007	2006
<b>Net Sales:</b>				
Filtration Products	24,187	16,623	86,362	64,413
Piping Systems	14,480	11,920	82,166	54,657
Industrial Process Cooling Equipment	9,357	9,767	41,161	35,517
Corporate & Other	791	0	3782	0
<b>Totals</b>	<b>48,815</b>	<b>38,310</b>	<b>213,471</b>	<b>154,587</b>
<b>Gross Profit:</b>				
Filtration Products	3,840	2,323	16,230	11,758
Piping Systems	1,724	1,555	16,780	10,862
Industrial Process Cooling Equipment	2,124	2,704	11,274	10,066
Corporate & Other	24	0	121	0
<b>Totals</b>	<b>7,712</b>	<b>6,582</b>	<b>44,405</b>	<b>32,686</b>
<b>Income (Loss) from Operations:</b>				
Filtration Products	1,047	(154)	5,274	2,221
Piping Systems	131	239	9568	5060
Industrial Process Cooling Equipment	(435)	303	1,222	1,544
Corporate & Other	(1,842)	(1,253)	(7,122)	(6,146)
<b>Totals</b>	<b>(1,099)</b>	<b>(865)</b>	<b>8,942</b>	<b>2,679</b>
Income from Joint Venture	59	22	491	196
Interest Expense – Net	770	479	2,676	1,839
Income (Loss) Before Income Taxes	(1,810)	(1,322)	6,757	1,036
Income Tax Expense (Benefit)	(1,218)	(228)	2,164	505
Net Income (Loss)	(592)	(1,094)	4,593	531

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Operating Statement Information	2007	2006	2007	2006
Weighted Avg. Number of Common Shares	5,464	5,267	5,358	5,254
Earnings Per Share – Basic Net Income (Loss)	(0.12)	(0.21)	0.86	0.10
Weighted Avg. Number of Common Shares – Diluted	5,761	5,541	5,600	5,585
Earnings Per Share – Diluted Net Income (Loss)	(0.10)	(0.19)	0.82	0.10
<i>Backlog (In Thousands)</i>	<i>1/31/2007</i>	<i>10/31/2006</i>	<i>1/31/07</i>	
Filtration Products	36,603	38,588	20,426	
Piping Systems	46,385	30,376	19,869	
Industrial Process Cooling Equipment	6,805	7,083	9,306	
Corporate & Other	8,350	0	0	
<b>Totals</b>	<b>98,143</b>	<b>76,047</b>	<b>49,601</b>	