



7720 North Lehigh Avenue  
Niles, Illinois 60714-3491

Phone (847) 966-1000  
Fax (847) 966-8563

**For Immediate Release - Press Release**

**COMPANY: MFRI, INC. (NASDAQ NM: MFRI)**  
**CONTACT: David Unger, Chairman and CEO**  
**(847) 966-1000**

**MFRI ANNOUNCES THIRD QUARTER AND NINE MONTHS RECORD SALES AND EARNINGS**

**NILES, IL, December 10, 2008--** MFRI, Inc. announced today record sales and earnings for the third quarter 2008 and the nine months ended October 31, 2008. For the third quarter 2008, Company net sales were \$76.8 million, 18.0% greater than the \$65.1 million for the prior-year's third quarter. Third quarter net income was a record \$4.7 million compared to \$1.0 million in the prior-year period. Earnings per share for the third quarter 2008 increased 360.0% to \$0.69 per share basic and \$0.68 diluted, compared to \$0.15 per share basic and diluted, in the third quarter of 2007.

For the current quarter versus the prior-year third quarter, the Piping Systems business net sales increased by 27.4%, the Filtration Products business net sales remained level, and the Industrial Process Cooling business net sales decreased by 10.1%. The heating, ventilation and air conditioning ("HVAC") business, included in Corporate and Other, reported net sales of \$5.0 million in the quarter and \$8.2 million year-to-date.

For the nine months ended October 31, 2008, Company net sales set a new record at \$220.4 million, up 21.8% from \$181.0 million for the corresponding period in 2007. Net sales increased primarily due to a higher starting backlog, the growing success of the Piping Systems' business in the United Arab Emirates, the production of the large crude oil pipeline project in India, and the start of work on buildings in the HVAC backlog. Net income for the first nine months of 2008, also a record, was \$7.5 million versus \$3.5 million in the prior-year's first nine months. Earnings per share for the first nine months increased to \$1.11 per share basic and \$1.09 diluted, up 109.4% compared to \$0.53 per share basic and \$0.51 diluted for the first nine months of 2007.

The extreme volatility in the prices of steel and petroleum-based plastic resins has added uncertainty and risk to the Company's business. Purchasing and stocking programs have been modified to mitigate such risks by obtaining price commitments from commodity suppliers and, when appropriate, purchasing quantities in advance of likely price increases. Piping Systems' domestic sales and earnings are seasonal, typically higher during the second and third quarters due to favorable weather for construction over much of North America, and are correspondingly lower during the first and fourth quarters.

There were year-over-year increases in backlog, including Piping Systems up 48.4% and Filtration Products up 23.1%. The new HVAC business backlog decreased 10.4% as work began on the projects booked during 2007. Compared to the previous year, the total backlog at October 31, 2008 increased by \$31.9 million or 24.4%.

As previously announced, Perma-Pipe Inc. is performing the insulating and jacketing services for a 600 kilometer (370 mile), 600 millimeter (24 inch) diameter heat-traced heavy crude oil pipeline. These services are being performed at a new Perma-Pipe facility in Mundra, India on the premises of Jindal Saw Ltd, one of

India's largest steel pipe producers. As of October 31, 2008, the Company completed one fourth of the contract.

David Unger, CEO said, "Total sales have more than doubled from 2003 to 2007. Our global expansion strategy has resulted in higher sales, earnings and backlog growth. In 2007, 30% of the Company's sales were to customers outside of the United States, up from 18% in 2006. We expect this trend in mix of domestic and global sales to continue with further increases outside the United States."

Brad Mautner, President and COO said, "We anticipate a more moderate rate of sales growth in 2009, although our increased order backlog, \$34.9 million higher than a year ago, should give us a good start. The deterioration of the economies around the world has changed the business environment and we expect continuing pressure from soft economies. We believe opportunities to improve operating margins exist and are a high priority, particularly in the Filtration Products and Industrial Process Cooling segments."

MFRI, Inc. is a multi-line company engaged in the following businesses: pre-insulated specialty piping systems for oil and gas gathering, district heating and cooling and other applications; custom-designed industrial filtration products to remove particulates from dry gas streams; thermal transfer equipment to remove heat from molding, printing and other industrial processes; and installation of heating, ventilation and air conditioning ("HVAC") for large buildings.

Form 10-Q for the period ended October 31, 2008 will be accessible at <<http://www.sec.gov/>>. For more information visit the Company's website [www.mfri.com](http://www.mfri.com) or contact the company directly.

*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  
(Unaudited) (In 000's except per share data)****Operating Statement Information**

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2008	2007	2008	2007
Net sales:				
Piping Systems	\$ 37,703	\$ 29,584	\$ 107,067	\$ 78,528
Filtration Products	25,400	25,421	79,414	72,731
Industrial Process Cooling Equipment	8,692	9,665	25,732	28,462
Corporate and Other	5,022	416	8,230	1,263
Total net sales	<u>\$ 76,817</u>	<u>\$ 65,086</u>	<u>\$ 220,443</u>	<u>\$ 180,984</u>
Gross profit (loss):				
Piping Systems	\$ 11,324	\$ 5,614	\$ 25,980	\$ 16,469
Filtration Products	2,872	3,033	10,099	10,571
Industrial Process Cooling Equipment	2,299	2,557	6,598	7,085
Corporate and Other	604	(4)	966	(37)
Total gross profit	<u>\$ 17,099</u>	<u>\$ 11,200</u>	<u>\$ 43,643</u>	<u>\$ 34,088</u>
Income (loss) from operations:				
Piping Systems	\$ 7,453	\$ 3,398	\$ 16,467	\$ 10,251
Filtration Products	(196)	10	758	2,173
Industrial Process Cooling Equipment	362	69	19	(388)
Corporate and Other	(2,371)	(2,167)	(6,663)	(6,374)
Total	<u>\$ 5,248</u>	<u>\$ 1,310</u>	<u>\$ 10,581</u>	<u>\$ 5,662</u>
Income (loss) from joint venture	0	(27)	99	0
Interest expense – net	744	664	2,021	1,751
Income before income taxes	4,504	619	8,659	3,911
Income taxes	(184)	(364)	1,143	447
Net income	<u>\$ 4,688</u>	<u>\$ 983</u>	<u>\$ 7,516</u>	<u>\$ 3,464</u>
Weighted average common shares outstanding basic	6,799	6,652	6,794	6,600
Earnings per share basic	\$ 0.69	\$ 0.15	\$ 1.11	\$ 0.53
Weighted average common shares outstanding diluted	6,854	6,880	6,872	6,832
Earnings per share diluted	\$ .68	\$ 0.15	\$ 1.09	\$ 0.51
<b>Backlog:</b>	<u>10/31/08</u>	<u>1/31/08</u>	<u>10/31/07</u>	
Piping Systems	\$ 82,396	\$ 65,810	\$ 55,526	
Filtration Products	45,136	38,161	36,652	
Corporate and Other (includes HVAC)	29,807	33,179	33,253	
Industrial Process Cooling Equipment	5,327	6,315	5,353	
Total Backlog	<u>\$ 162,666</u>	<u>\$ 143,465</u>	<u>\$ 130,784</u>	

See the Company's Form 10-Q for the period for notes to financial statements.