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**For Immediate Release - Press Release**

**COMPANY: MFRI, INC. (NASDAQ NM: MFRI)**  
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**MFRI ANNOUNCES RECORD EARNINGS AND EARNINGS PER SHARE FOR THE  
SECOND QUARTER AND THE SIX MONTHS ENDED JULY 31, 2009**

**NILES, IL, September 8, 2009 -- MFRI, Inc. (NASDAQ: MFRI)– Today MFRI announced record earnings for the second quarter and the six months ended July 31, 2009. For the second quarter 2009, Company net sales were \$61.1 million, 21.3% less than \$77.6 million for the prior-year’s second quarter. Net income rose 56.0% to a second quarter high of \$3.8 million or \$0.55 diluted earnings per share, compared to \$2.4 million or \$0.35 diluted earnings per share, in the prior-year period.**

**THE SECOND QUARTER**

**SALES** – Net sales for the second quarter compared to prior-year’s quarter increased in the HVAC business, included in corporate and other, as its work continued on current projects. Net sales for the piping systems, filtration products, and industrial process cooling equipment businesses decreased primarily due to a drop in domestic sales in both district heating and cooling, and oil and gas products for the piping systems business and lower market demand across all filtration and industrial process cooling products.

**GROSS PROFIT** – Gross profit for the quarter increased to 23.9% of sales from 19.8% in the prior year due to production efficiencies and a more profitable mix of work in the Perma-Pipe overseas plants.

**EXPENSES** – General and administrative expenses increased to 13.9% of sales in the second quarter of 2009 from 9.9% of sales in the corresponding quarter in 2008. This was primarily due to the effect of spreading expenses over lower sales and higher profit based incentive compensation, staff and recruiting fees, and severance costs.

**NET INCOME** – Net income rose 56.0% to a second quarter high of \$3.8 million or \$0.55 diluted earnings per share, compared to \$2.4 million or \$0.35 diluted earnings per share, in the prior-year period. Net income was up due to the performance of the piping systems business unit in Fujairah, United Arab Emirates (“U.A.E.”), continued production on the India pipeline project and profits from the HVAC business. The income tax accrual is less than the statutory U. S. federal income tax rate mainly due to the impact of tax free foreign income in the U.A.E.

**THE YEAR-TO-DATE AT SIX MONTHS**

**SALES** – Sales for the six months ended July 31, 2009 were \$128.7 million, 10.4% less than \$143.6 million for the prior-year’s first six months. The year-to-date sales decreased primarily due to a drop in domestic sales in both district heating and cooling, and oil and gas products for the piping systems business as well as lower market demand across all filtration, and industrial process cooling products.

**GROSS PROFIT** – Year-to-date gross profit increased to 25.9% of sales from 18.5% in the prior year primarily due to the piping systems business.

**EXPENSES** – Year-to-date general and administrative expenses increased to 13.4% of sales in 2009 from 9.7% of sales in the corresponding period in 2008. This was primarily due to spreading expenses over lower sales, higher profit based incentive compensation, staff and recruiting fees, severance costs and additional non-cash stock compensation expense.

**NET INCOME** – Six month net income rose significantly to a high of \$9.8 million or \$1.42 diluted earnings per share, compared to \$2.8 million or \$0.41 diluted earnings per share in the prior-year period. This increase was due to the performance of the piping systems business unit in Fujairah U.A.E., continued production on the India pipeline project and profits from the HVAC business. The income tax accrual is less than the statutory U. S. federal income tax rate mainly due to the impact of tax free foreign income in the U.A.E.

**INDIA PIPELINE PROJECT** -- As previously announced, the piping systems business is performing the insulating and jacketing services for a 600 kilometer (370 mile), 600 millimeter (24 inch) diameter heat-traced crude oil pipeline. This work is being performed at a facility in Mundra, India. As of July 31, 2009, the Company had successfully completed over 99% of the production on this contract.

**BACKLOG** -- The Company's backlog on July 31, 2009 was \$76.0 million, down \$31.9 million or 29.6% from January 31, 2009 due to the progress on the heated oil pipeline in India and the progress on specific HVAC projects. The Company would not expect a new project similar in size to the one in India to be replaced in the 2009 backlog. Aside from that project, the backlog of the piping systems business was essentially unchanged from January 31, 2009 at approximately \$42 million. As a favorable sign, quoting activity for projects has reached a reasonably high level but decision making by customers is still very slow.

**David Unger, CEO said**, “Our global expansion strategy of manufacturing our products in foreign countries to serve their local markets has resulted in higher earnings for our Company. We continue to seek market potential around the world where we can grow our volume and profitability. This also helps us to provide expanded economic opportunities for our people. When the current economic recession ends, we believe the mix of domestic and global sales should position the Company for further growth.”

**Brad Mautner, President and COO said**, “As in the first quarter, the strong second quarter profitability was driven primarily by the piping systems business initiatives along with continuing contribution by our HVAC business on work in progress. In both cases the teams executed their work at or better than plan. As the India project winds down and the U.A.E market softens, the challenge will be to find and exploit other opportunities in the region. We have been active in pursuing piping projects in and around the U.A.E and are finding some success. Also, both filtration and industrial process cooling continue to see severely depressed demand for their products. Faced with 23% and 38% declines in year-over-year sales, respectively, we have been aggressive in reducing operating costs and managing inventories. Any economic benefits of these actions should be more apparent in the second half of the year. We are seeing some signs of stability in demand but due to the unpredictable pace and timing of economic recovery in the industrial sector we will continue to keep close control on expenses even as we make necessary investments in both product development and aggressive sales and marketing activities.”

**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; industrial process cooling equipment to remove heat from molding, printing and other industrial processes; and installation of heating, ventilation and air conditioning for large buildings.

**Form 10-Q** for the period ended July 31, 2009 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," "position," "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)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2009	2008	2009	2008
<b>Operating Statement Information</b>				
Net sales:				
Piping Systems	\$ 32,556	\$ 38,687	\$ 65,183	\$ 69,364
Filtration Products	18,435	28,197	41,740	54,014
Industrial Process Cooling Equipment	5,563	7,973	10,616	17,040
Corporate and Other	4,552	2,788	11,146	3,208
Total	<u>\$ 61,106</u>	<u>\$ 77,645</u>	<u>\$ 128,685</u>	<u>\$ 143,626</u>
Gross profit (loss):				
Piping Systems	\$ 11,309	\$ 9,196	\$ 25,457	\$ 14,656
Filtration Products	1,214	3,958	3,860	7,227
Industrial Process Cooling Equipment	1,452	1,907	2,503	4,299
Corporate and Other	654	340	1,536	362
Total	<u>\$ 14,629</u>	<u>\$ 15,401</u>	<u>\$ 33,356</u>	<u>\$ 26,544</u>
Income (loss) from operations:				
Piping Systems	\$ 6,864	\$ 6,082	\$ 16,816	\$ 9,014
Filtration Products	(1,810)	701	(2,095)	955
Industrial Process Cooling Equipment	(288)	(303)	(783)	(343)
Corporate and Other	(1,984)	(2,282)	(4,284)	(4,293)
Total	<u>\$ 2,782</u>	<u>\$ 4,198</u>	<u>\$ 9,654</u>	<u>\$ 5,333</u>
Income (loss) from joint venture	(106)	0	(106)	99
Interest expense – net	530	654	1,218	1,277
Income before income taxes	<u>2,146</u>	<u>3,544</u>	<u>8,330</u>	<u>4,155</u>
Income taxes	(1,605)	1,139	(1,427)	1,327
Net income	<u>\$ 3,751</u>	<u>\$ 2,405</u>	<u>\$ 9,757</u>	<u>\$ 2,828</u>
Weighted average common shares outstanding basic	6,819	6,794	6,818	6,791
Earnings per share basic	\$ 0.55	\$ 0.35	\$ 1.43	\$ 0.42
Weighted average common shares outstanding diluted	6,846	6,882	6,854	6,881
Earnings per share diluted	\$ 0.55	\$ 0.35	\$ 1.42	\$ 0.41
<b>Backlog:</b>	<b>7/31/09</b>	<b>1/31/09</b>		
Piping Systems	\$ 41,888	\$ 52,385		
Filtration Products	25,303	35,549		
Industrial Process Cooling Equipment	3,741	3,835		
Corporate and Other	5,027	16,051		
Total Backlog	<u>\$ 75,959</u>	<u>\$ 107,820</u>		

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