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For Immediate Release - Press Release

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**MFRI REPORTS RECORD NINE MONTH EARNINGS AND EARNINGS PER SHARE;
BACKLOG DOWN IN THE PERIOD**

NILES, IL, December 10, 2009 -- MFRI, Inc. (NASDAQ: MFRI)– MFRI announced record earnings and earnings per share for the nine months ended October 31, 2009. The Company’s net income for the nine months rose to \$10.5 million or \$1.53 per share, compared to \$7.5 million or \$1.09 per diluted share, in the corresponding prior-year period. Net sales were \$181.3 million, 17.8% less than \$220.4 million for the prior-year’s first nine months.

The Company also announced that for the third quarter 2009, sales were \$52.6 million, 31.5% less than \$76.8 million for the prior-year third quarter. Net income for the third quarter was \$0.7 million or \$0.10 earnings per share, compared to \$4.7 million or \$0.68 diluted earnings per share, in the prior-year period.

YEAR-TO-DATE AT NINE MONTHS

SALES – Sales for the nine months ended October 31, 2009 were \$181.3 million, 17.8% less than \$220.4 million for the prior-year’s first nine months. Year-to-date sales decreased in all businesses except the India pipeline project and the heating, ventilation and air conditioning (“HVAC”) activity. The lower market demand across all product lines is a reflection of the worldwide economic recession.

GROSS PROFIT – Even with the sales volume decline described above, year-to-date gross profit increased to \$45.8 million or 25.3% of sales from \$43.6 million or 19.8% in the prior year. This increase in profitability is primarily due to improved piping systems business’ sales product mix and material costs, as well as more effective cost control in piping systems and HVAC activities.

EXPENSES – Year-to-date operating expenses increased to \$34.4 million in 2009 from \$33.1 million in the corresponding period in 2008. This increase was primarily due to increased severance costs, higher profit based incentive compensation, foreign exchange losses and additional non-cash stock compensation expense.

NET INCOME – Nine month net income rose to a high of \$10.5 million or \$1.53 diluted earnings per share, compared to \$7.5 million or \$1.09 diluted earnings per share in the prior-year period. This increase was 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 activities. The income tax accrual is less than the statutory U. S. federal income tax rate primarily due to the impact of tax free foreign income earned in the U.A.E.

THIRD QUARTER

SALES – Sales for the 2009 third quarter compared to prior-year period decreased in all segments. Sales for the filtration products and industrial process cooling equipment businesses decreased primarily due to a drop in domestic sales. In the piping systems business both district heating and cooling, and oil and gas products experienced lower market demand. The HVAC activities, included in corporate and other, showed decreased sales as projects were completed.

GROSS PROFIT – Gross profit for the quarter decreased to \$12.5 million or 23.8% of sales from \$17.1 million or 22.3% in the prior-year period. This dollar decrease in gross profit was due to the lower sales partially offset by increased production efficiencies and a more profitable mix of work in the piping system business.

EXPENSES – Operating expenses decreased to \$10.7 million or 20.3% of sales in the third quarter of 2009 from \$11.9 million or 15.4% of sales in the corresponding 2008 quarter. The percent of sales increase was primarily due to the effect of spreading expenses over lower sales. The dollar decrease in the expenses mostly occurred in the domestic piping systems business. All other units showed essentially flat expense levels after including increased foreign exchange losses due to the falling U.S. dollar and staff reductions.

NET INCOME – Net income was \$0.7 million for the 2009 third quarter or \$0.10 diluted earnings per share, compared to \$4.7 million or \$0.68 diluted earnings per share, in the prior-year period. Net income decreased due to lower sales in all segments.

INDIA PIPELINE PROJECT -- As previously announced, the piping systems business performed insulating and jacketing services for a 600 kilometer (370 mile), 600 millimeter (24 inch) diameter heat-traced crude oil pipeline. This work was performed at a facility in Mundra, India. As of October 31, 2009, the Company completed the original contract but continues to work on change orders and expects additions to the project.

BACKLOG -- The Company's backlog on October 31, 2009 was \$69.9 million, down \$37.9 million or 35.2% from January 31, 2009. \$23.0 million of this backlog decline was due to the completion of the India pipeline project and specific HVAC projects. The Company does not expect a new project similar in size to the one in India to be replaced in the backlog but new bookings for piping systems seem to be robust both in the U.S. and the Middle East. The market for new HVAC projects, included in corporate and other, is extremely constrained by economic conditions.

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. For example, during the quarter we completed a partnership acquisition in Alberta, Canada giving us improved access to sell product to the growing oil sands market. This also helps us to provide expanded economic opportunities for our people. As 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, “The strong nine months 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 these teams executed their work at or better than plan. As the India pipeline project concluded and the U.A.E. market softens, our challenge is to find and exploit other opportunities in those and other regions. We have been active in pursuing piping projects in and around the U.A.E. and are finding success in both quote activity and bookings. Both filtration and industrial process cooling businesses continue to see severely depressed demand for their products but continued attention to expense control and working capital management supports neutral or positive cash flow. The rate of decline in demand

experienced by the Company seems to have slowed, but we expect demand to continue to be constrained. Even so, we plan to continue aggressive development of new markets and products so that at such time as demand improves our current cost structures should assist in improving our profitability.”

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 October 31, 2009 will be accessible at <<http://www.sec.gov/>>. For more information visit the Company's website 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 October 31,		Nine Months Ended October 31,	
	2009	2008	2009	2008
Operating Statement Information				
Net sales:				
Piping Systems	\$ 25,704	\$ 37,703	\$ 90,887	\$ 107,067
Filtration Products	17,481	25,400	59,221	79,414
Industrial Process Cooling Equipment	5,934	8,692	16,550	25,732
Corporate and Other	3,467	5,022	14,613	8,230
Total	<u>\$ 52,586</u>	<u>\$ 76,817</u>	<u>\$ 181,271</u>	<u>\$ 220,443</u>
Gross profit (loss):				
Piping Systems	\$ 8,506	\$ 11,324	\$ 33,963	\$ 25,980
Filtration Products	2,147	2,872	6,007	10,099
Industrial Process Cooling Equipment	1,296	2,299	3,799	6,598
Corporate and Other	541	604	2,077	966
Total	<u>\$ 12,490</u>	<u>\$ 17,099</u>	<u>\$ 45,846</u>	<u>\$ 43,643</u>
Income (loss) from operations:				
Piping Systems	\$ 5,398	\$ 7,453	\$ 22,214	\$ 16,467
Filtration Products	(889)	(196)	(2,984)	758
Industrial Process Cooling Equipment	(471)	362	(1,254)	19
Corporate and Other	(2,227)	(2,371)	(6,511)	(6,663)
Total	<u>\$ 1,811</u>	<u>\$ 5,248</u>	<u>\$ 11,465</u>	<u>\$ 10,581</u>
Income (loss) from joint venture	40	0	(66)	99
Interest expense – net	371	744	1,589	2,021
Income before income taxes	1,480	4,504	9,810	8,659
Income tax expense (benefit)	785	(184)	(642)	1,143
Net income	<u>\$ 695</u>	<u>\$ 4,688</u>	<u>\$ 10,452</u>	<u>\$ 7,516</u>
Weighted average common shares outstanding basic	6,826	6,799	6,820	6,794
Earnings per share basic	\$ 0.10	\$ 0.69	\$ 1.53	\$ 1.11
Weighted average common shares outstanding diluted	6,856	6,854	6,852	6,872
Earnings per share diluted	\$ 0.10	\$ 0.68	\$ 1.53	\$ 1.09
Backlog:	10/31/09	1/31/09		
Piping Systems	\$ 40,041	\$ 52,385		
Filtration Products	25,286	35,549		
Industrial Process Cooling Equipment	2,997	3,835		
Corporate and Other	1,610	16,051		
Total Backlog	<u>\$ 69,934</u>	<u>\$ 107,820</u>		

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