

**MFRI REPORTS SHARP INCREASES IN REVENUES AND EARNINGS FOR THE YEAR.
REVENUES UP 20% OVER THE PRIOR YEAR TO \$145.1 MILLION.
NET INCOME \$2.8 MILLION, AN IMPROVEMENT OF \$3.9 MILLION
FROM THE PRIOR YEAR'S LOSS OF \$1.1 MILLION**

MFRI, Inc. (NASDAQ NM: MFRI), a leading manufacturer of custom-designed industrial filtration products, specialty piping systems and industrial process cooling equipment, today announced sharply improved results for the fiscal year and the quarter ended January 31, 2005.

Revenue for the fiscal year was \$145,096,000, 20.0% greater than the \$120,889,000 reported for the prior year. Net income for the year rose to \$2,813,000, or \$0.56 income per share (\$0.54 diluted EPS), from a loss of \$1,097,000, or \$0.22 loss per share (\$0.22 diluted EPS), in the prior year. Shares outstanding for the year were 6.2% higher than the prior year as a result of stock options exercised during the year.

Revenue for the fourth quarter was \$35,192,000, 30.0% greater than the \$27,096,000 reported for the prior year's fourth quarter. Gross margin increased to 20.2% from 17.8%. Net income for the fourth quarter was \$160,000, or \$0.03 income per share (\$0.03 diluted EPS), versus a \$709,000 loss, or \$0.13 loss per share (\$0.13 diluted EPS), in the prior year's fourth quarter. Due to the seasonality of the Company's Piping Systems business, revenues and income typically have been lower during the winter months (first and fourth quarters), caused by weather constraints over much of North America.

Revenue for the quarter ending January 31, 2005 increased in all business segments over the prior year. Revenue in the Company's Piping Systems business increased by 57.9%, Filtration Products business increased by 22.6% and Industrial Process Cooling Equipment increased by 13.7%.

For the year, revenue and operating profits were up in all areas of the Company's business. Piping Systems revenues were up 33.4% for the year. Revenues in the Industrial Process Cooling Equipment business were up 14.9% from last year and Filtration Products revenues were up 12.5% from the prior year. The improvements were driven by expense reductions, productivity increases over the last few years, and the improved economy. Gross margin increased to 21.5% of sales in the reported year from 20.3% of sales in the prior year.

Backlog at January 31, 2005 increased by \$6 million, or 17.2%, to \$41 million when compared to the end of the prior year, with increases in all business segments.

"We are very pleased with our results for the year and for the fourth quarter. We believe that the increased backlog in all of our business segments and the many opportunities that we see before us in 2005," David Unger, Chairman and CEO said.

Form 10-K for the fiscal year ended January 31, 2005 will be filed later this month and will 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>.

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,		Year Ended January 31,	
	2005	2004	2005	2004
Net Revenue:				
Filtration Products	\$ 16,007	\$ 13,059	\$ 61,740	\$ 54,872
Piping Systems	11,522	7,296	54,053	40,523
Industrial Process Cooling Equipment	7,663	6,741	29,303	25,494
Totals	<u>\$ 35,192</u>	<u>\$ 27,096</u>	<u>\$ 145,096</u>	<u>\$ 120,889</u>
Gross Profit:				
Filtration Products	\$ 2,957	\$ 1,900	\$ 12,320	\$ 9,782
Piping Systems	1,878	1,010	10,284	7,516
Industrial Process Cooling Equipment	2,271	1,910	8,524	7,300
Totals	<u>\$ 7,106</u>	<u>\$ 4,820</u>	<u>\$ 31,128</u>	<u>\$ 24,598</u>
Income (loss) from Operations:				
Filtration Products	\$ 709	\$ (181)	\$ 3,539	\$ 1,145
Piping Systems	761	(55)	5,405	2,281
Industrial Process Cooling Equipment	332	132	1,570	738
General Corporate Expenses	(1,457)	(1,242)	(5,337)	(4,885)
Income (loss) from Operations	<u>\$ 345</u>	<u>\$ (1,346)</u>	<u>\$ 5,177</u>	<u>\$ (721)</u>
Net income (loss)	<u>\$ 160</u>	<u>\$ (709)</u>	<u>\$ 2,813</u>	<u>\$ (1,097)</u>
Weighted average number of common shares outstanding - basic	5,138	4,922	4,986	4,922
Earnings per share - basic net income (loss)	\$ 0.03	\$ (0.13)	\$ 0.56	\$ (0.22)
Weighted average number of common shares outstanding - diluted	5,527	4,922	5,223	4,922
Earnings per share - diluted net income (loss)	\$ 0.03	\$ (0.13)	\$ 0.54	\$ (0.22)

<i>Backlog:</i>	<u>1/31/05</u>	<u>10/31/04</u>	<u>1/31/04</u>
Filtration Products	\$ 17,518	\$ 17,589	\$ 14,499
Piping Systems	18,125	19,420	16,635
Industrial Process Cooling Equipment	5,321	4,201	3,825
Totals	<u>\$ 40,964</u>	<u>\$ 41,210</u>	<u>\$ 34,959</u>