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Press Release

MFRI Reports Record Sales and Earnings for 2006 Third Quarter and First Nine Months

Winchester, VA, December 7, 2006: 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.

Net sales for the third quarter of 2006 were \$64,182,000, 63.0% greater than the \$39,384,000 for the prior-year's third quarter. Sales for the third quarter of 2006 compared to the prior- year's third quarter increased in all business segments: the Piping Systems business increased by 110.3%, the Filtration Products business increased by 57.7%, and the Industrial Process Cooling business increased by 4.1%. For the third quarter of 2006, income from operations was up 232.4% to \$5,295,000 primarily due to increased volumes at essentially stable margins. Net income for the third quarter of 2006 was \$2,720,000 up 245.2% or \$0.51 per share (\$0.48 diluted) versus a \$788,000 or \$0.15 per share (\$0.14 diluted) in the prior-year's third quarter.

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For the nine months ended October 31, 2006, net sales were \$164,656,000, up 41.6% from \$116,277,000 for the comparable period in 2005; net sales for the Piping Systems business increased by 58.4%, the Filtration Products business increased by 30.1%, and the Industrial Process Cooling Equipment business increased by 23.5%. Sales increased in each business segment due to the better economic environment, a higher starting backlog and the implementation of a more global strategy. Net income for the first nine months of 2006 was \$5,185,000 up 219.1% from the corresponding prior-year period or \$0.97 per share (\$0.93 diluted) versus \$1,625,000 or \$0.31 per share (\$0.29 diluted) in the prior-year's first nine months.

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

The backlog on October 31, 2006 increased by \$32.5 million or 74.6% to \$76.0 million when compared to the end of the prior-year's third quarter. The Filtration Products and Piping Systems business segments showed substantial year over year backlog increases; Filtration Products backlog was up 121.0% to \$38.6 million and Piping Systems was up 60.6% to \$30.4 million. The backlog of the Industrial Process Cooling Equipment segment was essentially level at \$7.1 million.

David Unger, CEO said, "We are very pleased with our record sales and earnings so far this year. Our record backlog along with substantial business opportunities have made 2006 a banner year so far. 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."

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Form 10-Q for the third quarter of 2006 will be filed today 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 or www.midwescofilter.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.