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MFRI REPORTS NET SALES OF \$227 MILLION AND EPS OF \$1.80 FROM CONTINUING OPERATIONS FOR FISCAL 2013

- **Net sales rise 34% compared to 2012**
- **Net income from continuing operations of \$13 million**
- **Net income of \$21 million and EPS of \$2.96, including discontinued operations**
- **Bidding on large-scale infrastructure projects continues to provide opportunities for execution after 2014**

NILES, IL, April 15, 2014 -- MFRI, Inc. (NASDAQ: MFRI) announced today financial results for the fourth quarter and full year ended January 31, 2014.

President and CEO Bradley Mautner remarked, “Fiscal 2013 was a transitional year for us and an extraordinarily successful one. Net sales from continuing operations rose 34%, and net income from continuing operations was \$13 million for the year compared to a \$21 million loss in the prior year. Net income including discontinued operations was \$21 million and reflected the benefits of the various portfolio composition changes we made during the year, most notably the sale of substantially all of the assets of Thermal Care, Inc.

“On an operating basis, the major Piping Systems projects in Saudi Arabia and the United Arab Emirates (‘U.A.E.’) were key drivers of our unusually strong top- and bottom-line results, and made fiscal 2013 a stand-out year. They illustrate the potential of investments made in the Middle East to serve the region’s rapid growth. In addition, some significant domestic oil and gas projects serving the offshore market in the Gulf of Mexico contributed to Piping Systems’ outstanding performance.

“In fiscal 2014, we expect our current, large Piping Systems projects in the Middle East to continue to make important contributions to our performance, although not at as great a level as in 2013, when customer timing led to unusually high shipments from a compressed schedule. The execution of the projects is reflected in a lower backlog at year-end 2013 as compared to year-end 2012. At the same time, we are encouraged by the many new bidding opportunities we are seeing in the region, as well as in other parts of the world, and are currently pursuing several significant prospects. The ultimate timing of these opportunities is difficult to predict and they take considerable time to develop. However, they are diverse in nature and geography, which is good for the business and highlights the many capabilities of Perma-Pipe.

“Despite continuing difficult conditions in the domestic fabric filter market, we succeeded in improving the operations and productivity of our Filtration Products business. The many expense controls we implemented enabled us to maintain this segment’s gross margin for 2013 – a critical step in our turnaround of the business. Even with certain one-time expenses in the fourth quarter, the segment reduced its operating loss by 45% for the year on 13.6% lower sales. We are moving in the right direction, with plenty of work ahead in the coming quarters to return to a satisfactory level of performance.

“We expect our Filtration Products business to continue its improvement in operations and productivity in 2014 and are positioning ourselves to capitalize on demand outside the U.S. by establishing operations in the Middle East and increasing our sales presence in Asia. Our strengthened balance sheet, solidified through the April 2013 sale of the Thermal Care assets, provides an excellent foundation for the many initiatives, both short- and longer-term, we are pursuing.”

TWELVE MONTHS ENDED JANUARY 31, 2014 (“Fiscal Year 2013”)

SALES - Net sales were \$226.8 million in 2013, an increase of 34% from \$168.8 million in 2012. Piping Systems sales increased 77%, or \$68.8 million, mainly due to sales growth in Saudi Arabia and the U.A.E. for major projects such as expanding the Grand Mosque in Mecca and the King Abdul-Aziz International Airport in Jeddah, as well as a significant domestic oil and gas project. Filtration Products sales decreased by \$10.7 million due primarily to reduced domestic demand for fabric filter bag products.

GROSS PROFIT – Gross profit increased 90% to \$52.2 million in 2013 from \$27.5 million in 2012 mainly due to the sales increase in Piping Systems.

EXPENSES – Operating expenses increased 7.8% to \$39.1 million from \$36.3 million. Improved sales performance led to higher incentive compensation expense partially offset by reduced health insurance costs. The Company’s 2012 results included a non-cash \$1.5 million charge related to the impairment of fixed assets related to an idle Filtration Products manufacturing facility in Cicero, Illinois.

TAXES - The Company's consolidated effective income tax rate (“ETR”) from continuing operations for 2013 and 2012 were negative 4.0% and negative 132.4%, respectively. The ETR in 2013 was less than the statutory U.S. federal income tax rate, mainly due to the \$1.2 million release of the full valuation allowance related to the Company's deferred tax assets in Saudi Arabia. The 2013 and 2012 ETRs have been impacted by the mix of the U.A.E. earnings (loss) versus total earnings (loss), because the U.A.E. is not subject to any local country income tax. In 2012, the Company recorded a full valuation allowance on domestic deferred tax assets. This resulted in a \$12.5 million non-cash charge.

FOURTH FISCAL QUARTER ENDED JANUARY 31, 2014

SALES - Net sales increased 45.6% to \$53.4 million from \$36.7 million in the 2012 fourth quarter. Piping Systems sales increased 78%, or \$16.1 million, mainly due to sales growth in Saudi Arabia and the U.A.E. for major projects such as expanding the Grand Mosque

in Mecca and the King Abdul-Aziz International Airport in Jeddah. Filtration Products sales rose 4% to \$16.8 million.

GROSS PROFIT - Gross profit increased 88% to \$9.2 million from \$4.9 million in the prior-year quarter primarily due to the sales increase in Piping Systems. Filtration Products' gross profit decreased 24%, due to the volume shortfall and an inventory adjustment of \$0.6 million for slow-moving product.

EXPENSES - Operating expenses totaled \$10.2 million, or 19.1% of net sales, compared to \$10.9 million, or 29.6%, in the prior-year quarter. Higher incentive expenses from success in Piping Systems were partially offset by the effect of the prior-year, non-cash write-down of \$1.5 million for idle fixed assets at Filtration Products' Cicero, IL location.

TAXES - The Company's consolidated effective tax rate from continuing operations was 41.1% for the 2013 fourth quarter and negative 219.6% for the 2012 fourth quarter. The 2012 fourth quarter reflects the full valuation allowance on domestic deferred taxes, a non-cash adjustment of \$12.5 million.

NET INCOME – Fourth-quarter net loss was \$1.8 million, \$13.7 million less than the prior-year period due to the 2012 deferred tax adjustment and increased volume in Piping Systems.

BACKLOG

The Company's backlog from continuing operations decreased 27.5% or \$31.8 million from January 31, 2013. This decrease primarily reflects the execution of large-scale Piping Systems projects in Saudi Arabia and the U.A.E. MFRI's Piping Systems business is based on large, discrete projects so revenues can vary significantly in both geographies and reporting periods, and fiscal 2013 was an exceptionally active period. The Company is pursuing new Piping Systems and Filtration Products projects worldwide but any success in winning projects will not become shipments until 2015.

| Backlog (\$ in millions): | January 31, | |
|----------------------------------|--------------------|----------------|
| | 2014 | 2013 |
| Piping Systems | \$60.6 | \$89.5 |
| Filtration Products | 22.9 | 25.8 |
| Total | <u>\$83.5</u> | <u>\$115.3</u> |

MFRI, Inc.

MFRI, Inc. manufactures pre-insulated specialty piping systems for oil and gas gathering, district heating and cooling as well as other applications. The Company also manufactures custom-designed industrial filtration products to remove particulates from air and other gas streams. In total, MFRI has operations at 10 locations in six countries.

Forward-Looking Statements

Statements and other information contained in this announcement that can be identified by the use of forward-looking 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, including, without limitation, statements regarding the expected future performance and operations of the Company. 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, the project nature of the business, the increasing international nature of the business, 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's Form 10-K for the period ended January 31, 2014 will be accessible at www.sec.gov and www.mfri.com. For more information, visit the Company's website or contact its investor relations representative, LHA.

MFRI, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Audited) *(In 000's except per share data)*

Operating Statement Information

Net sales

| | Three Months | | Twelve Months | |
|---------------------|--------------------------|-------------|--------------------------|-------------|
| | Ended January 31, | | Ended January 31, | |
| | 2014 | 2013 | 2014 | 2013 |
| Piping Systems | \$36,597 | \$20,517 | \$158,422 | \$89,664 |
| Filtration Products | 16,778 | 16,153 | 68,413 | 79,143 |
| Total | \$53,375 | \$36,670 | \$226,835 | \$168,807 |

Gross profit

| | | | | |
|---------------------|---------|---------|----------|----------|
| Piping Systems | \$7,513 | \$2,693 | \$43,273 | \$17,020 |
| Filtration Products | 1,665 | 2,194 | 8,942 | 10,474 |
| Total | \$9,178 | \$4,887 | \$52,215 | \$27,494 |

Income (loss) from operations

| | | | | |
|---------------------|-----------|-----------|----------|-----------|
| Piping Systems | \$2,937 | \$(731) | \$24,213 | \$3,452 |
| Filtration Products | (1,161) | (2,456) | (1,629) | (2,962) |
| Corporate | (2,786) | (2,795) | (9,501) | (9,310) |
| Total | (\$1,010) | (\$5,982) | \$13,083 | (\$8,820) |

| | | | | |
|--|-------|---------|--------|---------|
| Income from joint venture | 280 | 1,032 | 528 | 1,386 |
| Interest expense, net | 229 | 350 | 1,311 | 1,498 |
| Income (loss) from continuing operations before income taxes | (959) | (5,300) | 12,300 | (8,932) |

| | | | | |
|------------------------------|-------|--------|-------|--------|
| Income tax (benefit) expense | (394) | 11,640 | (493) | 11,825 |
|------------------------------|-------|--------|-------|--------|

| | | | | |
|--|-------|----------|--------|----------|
| Income (loss) from continuing operations | (565) | (16,940) | 12,793 | (20,757) |
|--|-------|----------|--------|----------|

| | | | | |
|--|---------|-------|-------|-------|
| Income (loss) from discontinued operations, net of tax | (1,276) | 1,414 | 8,234 | 2,272 |
|--|---------|-------|-------|-------|

| | | | | |
|--------------------------|------------------|-------------------|-----------------|-------------------|
| Net income (loss) | (\$1,841) | (\$15,526) | \$21,027 | (\$18,485) |
|--------------------------|------------------|-------------------|-----------------|-------------------|

Weighted average number of common shares outstanding

| | | | | |
|---------|-------|-------|-------|-------|
| Basic | 7,129 | 6,924 | 7,028 | 6,922 |
| Diluted | 7,268 | 6,924 | 7,096 | 6,922 |

Earnings (loss) per share from continuing operations

| | | | | |
|---------|----------|----------|--------|----------|
| Basic | (\$0.08) | (\$2.45) | \$1.82 | (\$3.00) |
| Diluted | (\$0.08) | (\$2.45) | \$1.80 | (\$3.00) |

Earnings per share from discontinued operations

| | | | | |
|---------|----------|--------|--------|--------|
| Basic | (\$0.18) | \$0.20 | \$1.17 | \$0.33 |
| Diluted | (\$0.18) | \$0.20 | \$1.16 | \$0.33 |

Earnings (loss) per share

| | | | | |
|---------|----------|----------|--------|----------|
| Basic | (\$0.26) | (\$2.24) | \$2.99 | (\$2.67) |
| Diluted | (\$0.25) | (\$2.24) | \$2.96 | (\$2.67) |

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

Note: Earnings or loss per share calculations could be impacted by rounding.

MFRI, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

| | January 31, | |
|---|-------------------------|-------------------------|
| | 2014 | 2013 |
| <i>(In thousands)</i> | | |
| ASSETS | | |
| Current assets | | |
| Cash, cash equivalents and restricted cash | \$13,834 | \$7,759 |
| Trade accounts receivable, less allowance for doubtful accounts | 45,659 | 23,278 |
| Inventories, net | 33,547 | 37,529 |
| Prepaid expenses and other current assets | 8,052 | 15,780 |
| Total current assets | <u>\$101,092</u> | <u>\$84,346</u> |
| Property, plant and equipment, net of accumulated depreciation | 42,541 | 45,582 |
| Other assets | | |
| Note receivable from joint venture | 4,659 | 5,200 |
| Investment in joint venture | 6,550 | 6,022 |
| Other assets | 8,427 | 8,338 |
| Total other assets | <u>19,636</u> | <u>19,560</u> |
| TOTAL ASSETS | <u><u>\$163,269</u></u> | <u><u>\$149,488</u></u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Trade accounts payable | \$15,276 | \$18,740 |
| Accrued commissions, compensation, incentives and payroll taxes | 16,331 | 8,819 |
| Current maturities of long-term debt | 8,274 | 5,384 |
| Customers' deposits , other current liabilities | 13,603 | 16,267 |
| Total current liabilities | <u>53,484</u> | <u>49,210</u> |
| Long-term liabilities | | |
| Long-term debt, less current maturities | 23,469 | 35,579 |
| Other long-term liabilities | 9,680 | 10,444 |
| Total long-term liabilities | <u>33,149</u> | <u>46,023</u> |
| Stockholders' equity | <u>76,636</u> | <u>54,255</u> |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | <u><u>\$163,269</u></u> | <u><u>\$149,488</u></u> |

MFRI, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| (\$ in thousands) | Twelve Months Ended | |
|--|----------------------------|-------------|
| | January 31, | |
| | 2014 | 2013 |
| Operating activities | | |
| Net income (loss) | \$21,027 | (\$18,485) |
| Adjustments to reconcile net income (loss) to net cash flows provided by operating activities | | |
| Depreciation and amortization | 5,785 | 5,806 |
| Gain on disposal of discontinued operations | (11,449) | 0 |
| Impairment on fixed assets | 0 | 1,520 |
| Deferred tax (benefit) expense | (3,190) | 12,594 |
| Income from joint venture | (528) | (1,386) |
| Other, net | 779 | 499 |
| Changes in operating assets and liabilities | | |
| Accounts payable | (4,438) | 2,908 |
| Inventories | 8,608 | (2,080) |
| Accounts receivable | (18,592) | 204 |
| Other assets and liabilities | 8,398 | 3,767 |
| Net cash provided by operating activities | 6,400 | 5,347 |
| Investing activities | | |
| Net proceeds from sale of discontinued operations | 15,172 | 0 |
| Capital expenditures, other investing activities | (2,745) | (6,254) |
| Net cash provided by (used in) investing activities | 12,427 | (6,254) |
| Financing activities | | |
| Proceeds from debt | 83,530 | 194,035 |
| Payments of debt on revolving lines of credit, other debt | (93,133) | (189,684) |
| Decrease in drafts payable | (3,125) | (8) |
| Other financing | 989 | (545) |
| Net cash (used in) provided by financing activities | (11,739) | 3,798 |
| Effect of exchange rate changes on cash and cash equivalents | (727) | (66) |
| Net increase in cash and cash equivalents | 6,361 | 2,825 |
| Cash and cash equivalents - beginning of period | 7,034 | 4,209 |
| Cash and cash equivalents - end of period | \$13,395 | \$7,034 |