



COMPANY: MFRI, INC.
CONTACTS: Bradley Mautner, President & CEO
(847) 966-1000

Harriet Fried / Jody Burfening
LHA
(212) 838-3777
hfried@lhai.com

MFRI REPORTS 1Q15 RESULTS; BACKLOG AS OF MAY 31, 2015 MORE THAN DOUBLES TO \$99.3 MILLION SINCE JANUARY 31, 2015

- *Pre-tax loss of \$4.6 million as 1Q15 sales declined to \$38 million from \$60 million in 1Q14, primarily due to timing of project-related Perma-Pipe orders*
- *Backlog growth from new awards positions MFRI for improved full year*

NILES, IL, June 12, 2015 -- MFRI, Inc. (NASDAQ: MFRI) announced today financial results for the quarter ended April 30, 2015. The Company also announced that its backlog of orders as of May 31, 2015 reached \$99.3 million, its highest level since July 31, 2013.

CEO Bradley Mautner commented, "As expected, the low backlog position of \$47.1 million with which we began fiscal 2015 resulted in a very challenging first quarter. In recent months, with the award of a diverse set of projects in different geographies and for various applications, we have more than doubled our January 31, 2015 backlog to \$99.3 million as of May 31, 2015, our highest level in almost two years. In the process, we believe we have successfully positioned MFRI for strong results in the second half of fiscal 2015/16 and an improved full year relative to fiscal 2014/15.

"Our Perma-Pipe subsidiary recently captured several oil & gas and mining projects in North America that, combined with the awards we received earlier this year for large-scale infrastructure needs in the Middle East, illustrate the diversity of our business and the confidence our customers have in our technology and capabilities."

Commenting on the new project awards, Fati Elgendy, President of Perma-Pipe, Inc., said, "We are very pleased that our North American customers have selected our proven XTRU-THERM® and AUTO THERM® GSPU insulation products for challenging applications in both onshore and offshore oil & gas and mining projects. The new assignments are further testimony to the high-quality products, services and on-time delivery Perma-Pipe's accomplished team of engineers, material scientists, managers and manufacturing personnel provide to demanding industries around the world."

John Carusiello, Division President of Perma-Pipe Oil & Gas, added, "Included in the new awards are the following projects, each of which we expect to begin processing in the second half of fiscal 2015 and expect to be substantially complete by fiscal year end:

- Onshore Oil Transportation Pipeline: To enable the flow of viscous gas/oil, Perma-Pipe will supply approximately 36 miles (58 km) of heat traced insulated piping to connect two refining

facilities in Louisiana. The project will enable our customer to integrate and optimize the operation of its facilities.

- Offshore Oil Subsea Transportation Pipeline: Awarded by a repeat customer, the project will tie into a production system that currently constitutes the largest single insulated pipeline project in the Gulf of Mexico. Perma Pipe will again supply our AUTO THERM® Glass Syntactic Polyurethane (GSPU) deep water insulated product for a flow line and riser pipe that will be approximately 13 miles (21 km) long.
- Saskatchewan Mining Project: We will insulate and jacket 9.5 miles (15 km) of cement-lined steel pipe that will transport a potash solution for a mining operation in Canada’s Saskatchewan province.”

Mr. Mautner continued, “In MFRI’s filtration segment, year over year volume was essentially unchanged, but the operating profit was approximately \$0.7 million less than in last year’s first quarter. This variation primarily reflects the unfavorable financial impact of shipments for the large multi-year, low-margin fabric filter OEM project we discussed in prior announcements, which were not in the sales numbers for the prior-year period. We expect the softness in end markets for fabric filters to continue in 2015. On the pleated filter side, although we incurred start-up costs for our manufacturing facility in the Middle East, we performed generally as expected. We believe the pleated market will continue to improve as we gain traction in the Middle East, where we just began our first full year of operations. I am pleased to report that we recently secured our first orders for shipment later this year from our new United Arab Emirates (“U.A.E.”) facility.

“In summary, we are optimistic that the significant order momentum we have been generating in the first half of 2015 and the major increase in backlog will offset the year’s slow start, driving increased revenue and profitability for fiscal 2015. With more than \$30 million of unused credit facilities and a debt to equity ratio of 0.45, the Company is well positioned to support the backlog expansion.”

BACKLOG

	May 31,	April 30,	Jan. 31,	April 30,
Consolidated Backlog (\$ in thousands):	2015	2015	2015	2014
Piping Systems	\$85,583	\$66,388	\$30,715	\$44,716
Filtration Products	13,761	13,671	16,383	22,817
Total	\$99,344	\$80,059	\$47,098	\$67,533

SHARE REPURCHASE ACTIVITY

During the quarter, MFRI repurchased approximately 45,000 shares of its common stock under the \$2 million share repurchase program authorized in February 2015. The shares were repurchased at an average cost of \$6.50 per share.

FIRST FISCAL QUARTER ENDED APRIL 30, 2015

SALES - Net sales decreased 37% to \$37.7 million in the current quarter, from \$59.5 million in the prior-year quarter. Piping Systems sales decreased 52% or \$22.1 million compared to the prior-year quarter due to lower volume in Saudi Arabia and the U.A.E. and lower volume of domestic oil and gas projects. Filtration sales increased 1% compared to the prior-year quarter.

GROSS PROFIT - Gross profit decreased to \$4.0 million in the current quarter from \$16.0 million in the prior-year quarter, mainly due to the sales volume decrease in Piping Systems. The gross margin decreased to 10.7% of net sales in the current quarter from 26.9% in the prior-year quarter and was also impacted by Filtration Products' customer mix and start-up costs for the new production facility in the U.A.E.

EXPENSES - Operating expenses decreased to \$8.8 million in the current quarter from \$10.3 million in the prior-year quarter due to lower management incentive compensation expense, partially offset by higher stock compensation expense and increased professional expenses.

PIPING SYSTEMS - Net sales decreased 52% to \$20.3 million in the current quarter from \$42.4 million in the prior-year quarter. The decrease reflects lower global and domestic volume.

Gross margin decreased to 12% of net sales in the current quarter from 32% of net sales in the prior-year quarter. Gross profit decreased due to lower volume. Operating expenses decreased to \$3.8 million from \$5.4 million due to lower management incentive compensation expense and lower professional costs.

FILTRATION PRODUCTS - Net sales increased 1% to \$17.4 million in the current quarter from \$17.2 million in the prior-year quarter. Gross profit decreased to \$1.7 million from \$2.5 million. Gross margin decreased to 10% in the current quarter from 15% in the prior-year quarter due to customer mix and start-up costs for the new production facility in the U.A.E.

Operating expenses decreased to \$2.9 million in the current quarter from \$3.1 million in the prior-year quarter. Reduced sales staffing, less promotional activities and lower professional costs contributed to the net decrease in expenses.

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-Q for the period ended April 30, 2015 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 (Unaudited)

(In thousands, except per share data)

	Three Months Ended	
	April 30,	
	2015	2014
Net sales		
Piping Systems	\$20,277	\$42,354
Filtration Products	17,397	17,170
Total	<u>\$37,674</u>	<u>\$59,524</u>
Gross profit		
Piping Systems	\$2,355	\$13,458
Filtration Products	1,686	2,531
Total	<u>\$4,041</u>	<u>\$15,989</u>
(Loss) income from operations		
Piping Systems	(\$1,426)	\$8,017
Filtration Products	(1,230)	(544)
Corporate	(2,144)	(1,764)
Total	<u>(\$4,800)</u>	<u>\$5,709</u>
Income (loss) from joint venture	165	(8)
Interest (income) expense, net	(6)	237
(Loss) income from continuing operations before income taxes	<u>(4,629)</u>	<u>5,464</u>
Income tax expense	26	1,266
(Loss) income from continuing operations	<u>(4,655)</u>	<u>4,198</u>
Loss from discontinued operations, net of tax	0	(371)
Net (loss) income	<u>(\$4,655)</u>	<u>\$3,827</u>
Weighted average common shares outstanding		
Basic	7,252	7,177
Diluted	7,252	7,315
(Loss) earnings per share from continuing operations		
Basic	(\$0.64)	\$0.58
Diluted	(\$0.64)	\$0.57
Loss per share from discontinued operations		
Basic and diluted	\$0.00	(\$0.05)
(Loss) earnings per share		
Basic	(\$0.64)	\$0.53
Diluted	(\$0.64)	\$0.52

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

MFRI, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

	April 30, 2015	January 31, 2015
	Unaudited	
ASSETS		
Current assets		
Cash and cash equivalents	10,718	10,508
Restricted cash	423	428
Trade accounts receivable, net	38,190	41,847
Inventories, net	29,765	29,770
Prepaid expenses and other current assets	6,296	5,049
Total current assets	85,392	87,602
Property, plant and equipment, net of accumulated depreciation	42,131	41,486
Long-term assets		
Note receivable from joint venture	3,814	3,931
Investment in joint venture	8,680	8,514
Other assets	5,084	7,005
Total long-term assets	17,578	19,450
Total assets	\$145,101	\$148,538
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Trade accounts payable	15,072	11,072
Accrued liabilities, compensation, incentives, and payroll taxes	19,334	13,770
Current maturities of long-term debt	16,989	17,033
Other current liabilities, including customer deposits	7,949	9,875
Total current liabilities	59,344	51,750
Long-term liabilities		
Long-term debt, less current maturities	12,424	12,603
Other long-term liabilities	4,269	10,662
Total long-term liabilities	16,693	23,265
Stockholders' equity		
Total stockholders' equity	69,064	73,523
Total liabilities and stockholders' equity	\$145,101	\$148,538

MFRI, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(In thousands)

Three Months Ended
April 30,
2015 2014

Operating activities		
Net (loss) income	(\$4,655)	\$3,827
Adjustments to reconcile net (loss) income to net cash flows used in operating activities		
Depreciation and amortization	1,423	1,433
Loss (gain) on disposal of discontinued operations	—	12
Deferred tax expense	1	612
Other, net	20	(462)
Changes in operating assets and liabilities		
Accounts receivable	3,500	(1,726)
Costs and estimated earnings in excess of billings on uncompleted contracts	(1,681)	(2,313)
Accrued compensation and payroll taxes	5,782	(4,598)
Other assets and liabilities	(5,232)	1,899
Net cash used in operating activities	<u>(842)</u>	<u>(1,316)</u>
Investing activities		
Capital expenditures, other investing activities	(2,034)	(773)
Payments on loan from joint venture	331	—
Net cash used in investing activities	<u>(1,703)</u>	<u>(773)</u>
Financing activities		
Proceeds from debt	24,907	20,407
Payments of debt on revolving lines of credit, other	(23,191)	(19,644)
Payments for repurchase of common stock	(290)	—
Other financing	933	596
Net cash provided by financing activities	<u>2,359</u>	<u>1,359</u>
Effect of exchange rate changes on cash and cash equivalents	396	173
Net increase (decrease) in cash and cash equivalents	<u>210</u>	<u>(557)</u>
Cash and cash equivalents - beginning of period	10,508	13,395
Cash and cash equivalents - end of period	<u>\$10,718</u>	<u>\$12,838</u>