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MFRI ANNOUNCES FOURTH QUARTER AND FULL YEAR FINANCIAL RESULTS

- *\$3.0 Million in Income from Continuing Operations before Income Taxes for Fiscal 2015/16*
- *\$9.6 Million Invested to Advance Strategic Positioning through Acquisition of JV Interest in Bayou Perma-Pipe Canada*
- *Filtration Business Reclassified as Discontinued Operations*
- *Pursuing Bidding Opportunities in Traditional and New Areas of Piping Business*

NILES, IL, April 28, 2016 -- MFRI, Inc. (NASDAQ: MFRI) announced today financial results for the fourth quarter and fiscal year ended January 31, 2016.

CEO Bradley Mautner commented, "Fiscal 2015/16 was a year of tremendous change for MFRI. We began planning for and then implemented a series of strategic actions to refocus MFRI's business portfolio and cost structure. These steps included exiting our Filtration segment through the sale of our domestic and international businesses, and initiating a process to sell our domestic fabric filter business.

"The goal of our efforts is to concentrate all of our resources on expanding our Piping business segment. As part of that strategy, on February 4, 2016 we acquired full ownership of Bayou Perma-Pipe Canada (BPCC), a well-regarded coating and insulation company that we believe represents a compelling opportunity to diversify our specialty piping operations in North America. From this platform, we expect to expand our insulation business in Canada and more competitively serve the district heating and cooling market in the Northwestern U.S.

"The energy markets we serve are also in the midst of tremendous change, which impacts our piping activities in two key ways. First, the direct impact of the dramatic drop in oil and gas prices has caused many oil-related projects to be delayed or cancelled. Second, the economic impact of low oil prices has caused the postponement of many large scale chilled water infrastructure projects in the Middle East, particularly in the Kingdom of Saudi Arabia. Our piping business has always been project driven and therefore subject to wide variation in sales year-to-year and even quarter-to-quarter. We have taken appropriate cost reductions measures in general and administrative costs as well as marketing idle facilities to ensure our support costs are in line with our simplified business structure. Given the current state of the energy markets and economic conditions, it is not possible to predict when projects will be restarted, but we are better positioned today to emerge from the downturn with a strong, well-focused and streamlined business."

Mr. Mautner continued, “Our financial results for fiscal 2015/16 reflect our new strategic positioning and the Filtration segment businesses has been reclassified to discontinued operations. Although we expected to complete the sale of the remaining domestic fabric filter business by this time, we have not yet been able to come to satisfactory terms and so are proceeding expediently with other transaction options to complete this important last step.

“As of year-end, we had generated \$3.0 million in income from continuing operations before income taxes, up from \$152,000 at the end of the year’s third quarter, whose results included the Filtration segment. This increase, and the rise in earnings (loss) per diluted share from continuing operations to \$0.26 from (\$0.19) as of October 31, 2015, reflect the execution on significant wins secured by Perma-Pipe early in fiscal 2015/16. Our net loss for the full year including discontinued operations was \$4.4 million, and was driven by taking a reserve of \$6.5 million related to our fabric filter business.

“As a result of selling the pleated filter business in the U.S., Europe and the United Arab Emirates (“U.A.E”) and other favorable contributors to cash flow, we improved the Company’s cash positons by \$7.6 million and reduced our overall debt balance by \$19.7 million compared to the end of the third quarter. As previously noted, in early February we invested \$9.6 million in cash and debt to advance our strategic repositioning through the acquisition of 100% ownership of BPCC, a joint venture in which we had previously owned 49%. We have re-named the entity Perma-Pipe Canada.”

Mr. Mautner concluded, “Our backlog as of January 31, 2016 was almost 60% higher than at the prior year-end, reflecting Perma-Pipe’s wins in the first half of fiscal 2015/16. However, the turbulence in the energy markets and resulting slowdown in activity have led to a reduction in backlog since October 31, 2015. We are aggressively working to offset the impact of the slow markets by expanding the scope of activities we perform, particularly in the Middle East and Canada. For example, Perma-Pipe Canada has been pursuing promising opportunities in the insulation and anti-corrosion markets. In both the Middle East and Canada, we are also continuing to quote on projects in our traditional business areas such as chilled water distribution, pipe spool fabrication and oil & gas transportation and gathering. Although we expect fiscal 2016/17 to be a challenging year, we look forward to moving ahead with our Company’s full focus squarely placed on a single segment.”

BACKLOG

	January 31, October 31, January 31,		
Backlog (\$ in thousands):	2016	2015	2015
Piping Systems	\$47,937	\$65,254	\$30,715

DISCONTINUED OPERATIONS AND REVISION TO PRIOR YEAR

During fiscal 2015/16, the Company sold certain assets and liabilities of its TDC Filter business based in Bolingbrook, Illinois and its Nordic Air Filtration, Denmark and Nordic Air Filtration, Middle East businesses. For both 2015 and 2016 the Filtration segment businesses, including the domestic fabric filter business based in Winchester, Virginia, have been reclassified as discontinued operations in the Company’s consolidated financial statements. In addition, the Company has revised the prior year’s comparative numbers for continuing operations based on reserve adjustments for excess inventory in previous years in light of the significant drop in pipe demand for projects in the Middle East. With the exception of the net loss and per share figures, the following financial review of results for the fourth quarter and fiscal year ended January 31, 2016 pertain to the Company’s continuing operations.

YEAR ENDED JANUARY 31, 2016

SALES - Net sales were \$122.7 million in 2015, a decrease of 3% from \$126.9 million in 2014. This \$4.2 million decrease compared to the prior year was due to lower volume in domestic oil and gas projects and lower volume in Saudi Arabia due to a slower pace of new projects based on the decline in the price of oil.

GROSS PROFIT - Gross profit decreased 13% to \$26.7 million in 2015 from \$30.8 million in 2014 due to lower volume. Gross margin decreased to 22% of net sales from 24% of net sales in the prior year. Gross profit decreased due to the lower volume. An excess inventory reserve adjustment of \$0.4 million was recorded at January 31, 2016 due to market condition changes.

EXPENSES - Operating expenses decreased 4.3% to \$23.9 million from \$24.9 million due to general and administrative expense reductions and lower management incentive partially offset by an increase in stock compensation expense and professional service expenses. These decreases were partially offset by an increase in stock compensation expense and professional fees. Operating expenses as a percent of net sales decreased to 19.4% from 19.6%.

PRETAX INCOME FROM CONTINUING OPERATIONS – Pretax income from continuing operations was \$3.0 million versus \$7.3 million in the prior year. A primary factor contributing to the 2015 results included lower volume in the Middle East.

TAXES - The Company's worldwide effective income tax rates on continuing operations for 2015 and 2014 were 45.7% and 41.9%, respectively. The 2015 effective income tax rate was higher than the statutory U.S. federal income tax rate, mainly due to the impact of the full valuation allowance maintained against domestic deferred tax assets and the recognition of foreign earnings resulting from the dispositions of certain foreign operations.

NET LOSS - Net loss was \$4.4 million in 2015 compared to \$0.2 million in 2014. Loss from discontinued operations net of tax was \$6.0 million and \$4.4 million for January 31, 2016 and 2015, respectively.

FOURTH FISCAL QUARTER ENDED JANUARY 31, 2016

SALES - Net sales increased 25.1% to \$30.3 million from \$24.2 million in the prior-year quarter. Sales increase was attributable to the timing of large projects in the U.S. and Saudi Arabia.

GROSS PROFIT - Gross profit increased 42.9% to \$6.9 million from \$4.9 million in the prior-year quarter due to the sales volume and margin increase in some large projects being completed in the U.S.

EXPENSES - Operating expenses totaled \$5.5 million, or 18.1% of net sales, compared to \$6.6 million, or 27.2%, in the prior-year quarter mainly due to a decrease in professional services, reduced general and administrative staffing and lower management incentive compensation expense.

PRETAX INCOME (LOSS) FROM CONTINUING OPERATIONS – Pretax income from continuing operations was \$1.3 million versus a loss of \$0.9 million in the prior year.

MFRI, Inc.

MFRI, Inc. is a global leader in pre-insulated piping and leak detection systems for oil and gas gathering, district heating and cooling, and other applications. It uses its extensive engineering and fabrication

expertise to develop piping solutions that solve complex challenges regarding the safe and efficient transportation of many types of liquids. In total, MFRI has operations at seven locations in four 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, 2016 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
(In thousands, except per share data)

	Three Months Ended January 31,		Year Ended January 31,	
	2016	2015	2016	2015
Net sales	\$30,322	\$24,240	\$122,696	\$126,923
Cost of sales	23,377	19,379	95,955	96,149
Gross profit	6,945	4,861	26,741	30,774
Operating expenses:				
General and administrative expense	4,445	3,525	18,869	19,202
Selling expense	\$1,043	\$3,058	4,994	5,725
Total operating expenses	5,488	6,583	23,863	24,927
Income (loss) from operations	1,457	(1,722)	2,878	5,847
Income from joint venture	78	846	602	1,960
Interest expense, net	246	(26)	470	519
Income (loss) from continuing operations before income taxes	1,289	(850)	3,010	7,288
Income tax (benefit) expense	(657)	549	1,375	3,051
Income (loss) from continuing operations	1,946	(1,399)	1,635	4,237
Loss from discontinued operations, net of tax	(5,422)	(3,600)	(6,044)	(4,418)
Net loss	(\$3,476)	(\$4,999)	(\$4,409)	(\$181)
Weighted average common shares outstanding				
Basic	7,300	7,291	7,280	7,251
Diluted	7,392	7,291	7,371	7,324
Earnings (loss) per share from continuing operations				
Basic	\$0.27	(\$0.19)	\$0.22	\$0.58
Diluted	\$0.26	(\$0.19)	\$0.22	\$0.58
Loss per share from discontinued operations				
Basic and diluted	(\$0.74)	(\$0.49)	(\$0.83)	(\$0.61)
Loss per share				
Basic and diluted	(\$0.48)	(\$0.69)	(\$0.61)	(\$0.02)

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

MFRI, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

<i>(In thousands)</i>	January 31, 2016	January 31, 2015
ASSETS		
Current assets		
Cash, cash equivalents	\$16,631	\$9,900
Restricted cash	2,324	428
Trade accounts receivable, net	36,090	34,332
Inventories, net	15,625	13,685
Prepaid expenses and other current assets	26,378	51,359
Total current assets	97,048	109,704
Property, plant and equipment, net of accumulated depreciation	25,400	24,165
Long-term assets		
Note receivable	1,905	3,931
Investment in joint venture	9,112	8,514
Other assets	4,658	1,760
Total long-term assets	15,675	14,205
Total assets	\$138,123	\$148,074
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Trade accounts payable	\$11,026	\$6,933
Accrued liabilities, compensation, incentives, and payroll taxes	15,575	10,962
Current maturities of long-term debt	14,006	4,817
Other current liabilities, including customer deposits	26,109	42,714
Total current liabilities	66,716	65,426
Long-term liabilities		
Long-term debt, less current maturities	1,493	2,355
Other long-term liabilities	886	7,493
Total long-term liabilities	2,379	9,848
Stockholders' equity		
Total stockholders' equity	69,028	72,800
Total liabilities and stockholders' equity	\$138,123	\$148,074

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

(In thousands)

**Twelve months ended
January 31,**

2016 2015

Operating activities

Net income (\$4,409) (\$181)

Adjustments to reconcile net income to net cash flows used in operating activities

Depreciation and amortization 5,929 5,897

Gain on disposal of discontinued operations (8,099) (188)

Deferred tax expense (249) 1,231

Other, net 6,404 (2,078)

Changes in operating assets and liabilities

Accounts receivable (2,809) 3,314

Costs and estimated earnings in excess of billings on uncompleted contracts (1,268) (765)

Accrued compensation and payroll taxes 299 (3,055)

Other assets and liabilities 1,305 (677)

Net cash provided by operating activities

(2,897) 3,498

Investing activities

Net proceeds from sale of discontinued operations 16,373 109

Capital expenditures (6,457) (5,878)

Proceeds from sales of property and equipment 2,059 24

Payments from joint venture 1,890 —

Net cash (used in) provided by investing activities

13,865 (5,745)

Financing activities

Proceeds from debt 108,470 85,931

Payments of debt on revolving lines of credit, other (110,836) (87,495)

Other financing (659) 1,018

Net cash used in financing activities

(3,025) (546)

Effect of exchange rate changes on cash and cash equivalents (1,212) (702)

Net (decrease) increase in cash and cash equivalents 6,731 (3,495)

Cash and cash equivalents - beginning of period 9,900 13,395

Cash and cash equivalents - end of period \$16,631 \$9,900