



## Thermal Energy International Reports Profitable Second Quarter

**OTTAWA, ONTARIO – January 29, 2014** – Thermal Energy International Inc. (“Thermal Energy” or the “Company”) (TSXV: TMG), a global provider of energy efficiency and emission reduction solutions, today announced its financial results for the three months ended November 30, 2013. All figures are in Canadian dollars.

### Q2 2014 Highlights:

- **Strong heat recovery and GEM<sup>®</sup> sales resulted in a 219% increase in revenue** compared to the second quarter a year ago;
- **Gross profit increased 134%** compared to the same period last year;
- **Net income was \$238 thousand** compared to a loss of \$787 thousand a year earlier;
- **Operating cash flow was \$455 thousand** compared to negative \$536 thousand for the same period last year
- **Net cash position totalled \$2.5 million**, compared to \$1.3 million as at May 31, 2013
- **Strong business development activity** underscored by ~\$1.9 million in heat recovery and GEM<sup>®</sup> orders from a leading Fortune 500 food and beverage company, and an aggregate of almost \$2.0 million in heat recovery and GEM<sup>®</sup> orders from hospitals.

### YTD 2014 Highlights

- Sales up \$3.4 million or 161%
- Gross profit increased \$1.5 million or 115%;
- Net loss of \$121 thousand compared to a loss of \$1.6 million last year.
- Operating cash flow of \$279 thousand compared to negative \$1.2 million same period last year.

### Highlights Subsequent to Quarter End:

- Awarded initial heat recovery order from a global diversified mining and materials company;
- Received ~\$250 thousand GEM<sup>®</sup> order from another major hospital;
- The Company had an order backlog of approximately \$7.1 million as at January 28, 2014

“Continued growth in both heat recovery and GEM<sup>®</sup> sales translated to a return in profitability during the quarter,” said William Crossland, CEO of Thermal Energy. “While our business is characterized by a long sales cycle, orders received year-to-date and our strong order backlog are evidence that the investment we made in sales and distribution in early fiscal 2013 is bearing fruit. Moreover, our proprietary products continue to receive validation from a growing number of industries. In addition to significant orders from a leading Fortune 500 food and beverage company, and from multiple hospitals during the quarter, subsequent to quarter end we received our first order from the mining and resources sector with an initial heat recovery order from a global diversified mining and materials company.”

## **Summary Financial Results**

In thousands except % data	3 months ended Nov. 30, 2013	3 months ended Nov. 30, 2012	6 months ended Nov. 30, 2013	6 months ended Nov. 30, 2012
Revenue	\$4,014	\$1,260	\$5,536	\$2,122
Gross profit	\$1,875	\$800	\$2,845	\$1,325
Gross margin	46.7%	63.5%	51.4%	62.4%
Operating expenses	\$1,647	\$1,561	\$3,002	\$3,069
Net income (loss)	238	(787)	(121)	(1,634)

### **Q2 2014 Financial Review:**

Revenue for the quarter was \$4.0 million compared to \$1.3 million a year ago, representing an increase of 218.6%. Sales of heat recovery systems increased by \$2.6 million and sales of GEM<sup>®</sup> Condensate return systems increased by almost \$0.2 million compared to the second quarter of last year.

Higher heat recovery systems revenue during the quarter included the commencement of projects at two sites of a major Fortune 500 food and beverage company (order announced September 16, 2013), an ongoing installation at a major pulp and paper company (order announced June 3, 2013), and the substantial installation at a major hospital (order announced June 13, 2013).

Higher GEM<sup>®</sup> sales were driven by strong broad based sales growth in North America and the partial fulfillment of an order received from a major food and beverage manufacturer, as announced July 3, 2013.

Gross profit for the quarter was \$1.9 million compared to \$0.8 million for the second quarter of last year, representing an increase of 134%. As a percentage of sales, gross profit for the quarter was 46.7% compared to 63.5% in the second quarter of last year. The decline as a percentage of sales was attributable to differences in the product mix.

Operating expenses for the quarter increased 5.5% to approximately \$1.6 million. An increase of approximately \$200 thousand paid in sales commissions during the quarter was partially offset by reduced investor relations costs, legal costs, research and development costs, and amortization of intangible assets, which were fully amortized in July 2013. In addition, the cost of additional sales and technical staff was offset by the allocation of staff costs to cost of sales due to the increased activity in heat recovery projects

Net income for the quarter was \$238 thousand compared to a net loss of \$787 thousand for the same quarter a year ago.

Operating cash flow (defined as net loss for the period, plus items not involving cash, plus lease payments received) for the quarter was \$455 thousand compared to negative \$536 thousand for the same period last year.

As at November 30, 2013, the Company's net cash position amounted to \$2.5 million, compared to \$1.3 million as at May 31, 2013. The Company also had an estimated \$0.3 million of unused borrowing capacity under its bank loans. With cash balances and unused borrowing capacity of approximately \$2.8 million, management believes that it has sufficient capital resources to fund existing operations and anticipated capital requirements in the remainder of fiscal 2014.

Full financial results including Management's Discussion and Analysis and accompanying notes to the financial results, are available on [www.SEDAR.com](http://www.SEDAR.com) and [www.thermalenergy.com](http://www.thermalenergy.com).

### **About Thermal Energy International Inc.**

Thermal Energy International Inc. is an innovative cleantech company providing a variety of proprietary and proven energy efficiency, emission reduction, water efficiency, and bioenergy products and solutions to the industrial, commercial and institutional markets worldwide. Thermal Energy is also a fully accredited professional engineering firm, and can offer advanced process and applications engineering services. By providing a unique mix of proprietary products together with process, energy, environmental, and financial expertise Thermal Energy is able to deliver significant financial and environmental benefits to its customers.

Thermal Energy's products include; **GEM**<sup>®</sup> - Steam traps and condensate return systems, **FLU-ACE**<sup>®</sup> - Direct contact condensing heat recovery, and **Dry Rex**<sup>™</sup> - Low temperature biomass drying systems. These award winning products are effective in a wide variety of industries and application and have an excellent track record of longevity, proven reliability and performance providing significant energy savings, reduced GHG emissions, improved water efficiency, lower maintenance costs, improved product quality and increased production efficiency. Thermal Energy International Inc. has offices in Ottawa, Canada as well as Bristol, UK, United States, Italy and China.

For more information, visit our website at [www.thermalenergy.com](http://www.thermalenergy.com) and follow [@GoThermalEnergy](https://twitter.com/GoThermalEnergy) on Twitter.

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**###**

This press release contains forward-looking statements relating to, and amongst other things, based on management's expectations, estimates and projections, the anticipated effectiveness of the Company's products and services and the timing of revenues to be received by the Company. Statements relating to the expected installation and revenue recognition for projects, statements about the anticipated effectiveness and lifespan of the Company's products and statements about the expected environmental effects and cost savings associated with the Company's products are forward looking statements. These

statements are not guarantees of future performance and involve a number of risks, uncertainties and assumptions. Many factors, some of which are outside of the Company's control, could cause events and results to differ materially from those stated. Fulfilment of orders, installation of product and activation of product could all be delayed for a number of reasons, some of which are outside of the Company's control, which would result in anticipated revenues from such projects being delayed or in the most serious cases eliminated. Actions taken by the Company's customers and factors inherent in the customer's facilities but not anticipated by the Company can have a negative impact on the expected effectiveness and lifespan of the Company's products and on the expected environmental effects and cost savings expected from the Company's products. Additional heat recovery and GEM® steam trap projects being developed by the Company may not result in orders for the Company's products. The Company disclaims any obligation to publicly update or revise any such statements except as required by law.

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