



Thermal Energy Reports First Quarter Financial Results

OTTAWA, ONTARIO – October 30, 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-month period ended August 31, 2014. All figures are in Canadian dollars.

Q1 2015 Highlights:

- Received purchase orders totaling more than \$1 million for additional GEM[®] traps and a fourth heat recovery system from a leading Fortune 500 food and beverage company;
- Awarded \$246 thousand in repeat business from a major hospital for the expansion of a previously installed heat recovery system;
- Revenue decreased 23% to \$1.2 million from the same period last year as a result of lower sales of heat recovery systems and GEM[®] Condensate return systems;
- Gross profit decreased 27.5% from the same period last year to \$703 thousand;
- Net loss of \$668 thousand compared to a net loss of \$359 thousand for the same period last year;
- The Company had an order backlog of approximately \$3.1 million as at October 29, 2014.

“After a really strong fourth quarter, our first quarter results fell short of the results we had last year at this time when we had achieved high growth in revenues and gross profit,” said William Crossland, CEO of Thermal Energy. “Our first quarter this year reflects the susceptibility of our financial performance over the short term to the timing of larger orders. For example, in our heat recovery business, the first quarter last year included revenues from the early stages of installation of a \$3.6 million project at a major pulp and paper company and final revenues from a hospital conversion, whereas the first quarter of this year saw little activity other than a small amount of revenue for the final stage of the same pulp and paper company project and the early engineering stages of the installation at a site of a Fortune 500 food and beverage company. Similarly on the GEM[®] side of the business, last year’s first quarter includes a large portion of revenue from a major food and beverage company order, the largest individual GEM order in the Company’s history, as well as the fulfillment of a large hospital order. The only significant GEM revenue during the first quarter this year was the most recent GEM orders received from a leading Fortune 500 food and beverage company.”

Mr. Crossland added: “As we continue to develop relationships at the corporate level with our growing list of multinational customers and capitalize on cross-selling opportunities, we expect to see the timing of larger orders become less and less of an issue over time. We have several customers that have either our heat recovery or our steam traps at only a small proportion of their overall number of sites. The low-hanging fruit therefore is to cross-sell our other products and sell to a greater number of their sites.”

Summary Financial Results

In thousands except % data	3 months ended August 31, 2014	3 months ended August 31, 2013
Revenue	\$1,171	\$1,522
Gross profit	\$703	\$970
Gross margin	60.0%	63.7%
Operating expenses	\$1,460	\$1,355
EBITDAS	\$(658)	\$(286)
Net income (loss)	\$(668)	\$(359)
Adjusted operating cash flow	\$(473)	\$(106)

Q1 2015 Financial Review:

Revenue for the quarter decreased 23% to \$1.2 million compared to \$1.5 million for the first quarter a year ago. Heat recovery sales decreased by \$183 thousand, or 39.9%, with little activity during the quarter other than the concluding stages of the major pulp and paper company project plus the early engineering stages of the installation at a site of a Fortune 500 food and beverage company, as announced August 27, 2014. Sales of GEM[®] Condensate return system sales decreased by \$168 thousand, or 15.8%, largely due to the lack of GEM[®] sales to hospitals compared to one site conversion in the first quarter of the previous year.

As a result of the lower revenues for the quarter, gross profit decreased 27.5% to \$703 thousand compared to \$970 thousand in the first quarter of last year. The decrease was the direct result of reduced revenues. As a percentage of sales, gross profit for the quarter was 60.0% compared with 63.7% a year earlier.

Operating expenses for the quarter were \$1.5 million compared to \$1.4 million for the first quarter a year earlier. The increase was mainly attributable to an increase in sales and marketing staff, as well as increased sales training including a Company-wide sales training conference held in June 2014. Additionally, a much stronger Sterling against the Canadian Dollar in the current quarter resulted in higher overall costs from the Company's U.K. business.

EBITDAS (defined as earnings before interest, taxation, depreciation, amortization, share-based compensation expense and net write down of lease) for the quarter was negative \$658 thousand compared to negative \$286 thousand in the first quarter a year ago.

The Company has a net loss for the quarter of \$668 thousand compared to a loss of \$359 thousand in the first quarter a year earlier.

Adjusted operating cash flow (defined as net income for the period, plus items not involving cash, plus lease payments received) for the quarter was negative \$473 thousand versus negative \$106 thousand for the same period a year ago.

Cash Resources and Working Capital

The Company's net cash position was \$1.7 million as at August 31, 2014, compared to \$2.0 million as at May 31, 2014. The Company also had an estimated \$197 thousand of unused borrowing capacity under its bank loans. With cash balances and unused borrowing capacity of approximately \$1.9 million,

management believes that it has sufficient capital resources to fund existing operations and anticipated capital requirements in fiscal 2015.

The Company's working capital as at August 31, 2014 was \$2.1 million compared to \$2.8 million as at May 31, 2014.

Full financial results including Management's Discussion and Analysis and accompanying notes to the financial results, are available on www.sedar.com and 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**[®] - Steam traps and condensate return systems, **FLU-ACE**[®] - Direct contact condensing heat recovery, and **Dry Rex**[™] - 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 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 potential for repeat business with existing customers, statements about the company's backlog, and the ability of existing working capital to fund operations for a period of time 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. Unexpected issues could arise that would deplete the Company's working capital faster than currently anticipated. 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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