



Thermal Energy Reports Record Profitability on Revenue Growth of 60% for Fiscal 2014

OTTAWA, ONTARIO – September 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-month and twelve-month periods ended May 31, 2014. All figures are in Canadian dollars.

Q4 2014 Highlights (compared to Q4 2013):

- Revenue increased 151% to \$4.7 million;
- Sales of heat recovery systems and GEM[®] Condensate return systems increased 168% and 114% respectively;
- Gross profit increased 267% to \$2.7 million;
- Net income of \$697 thousand compared to a net loss of \$2.7 million

FY 2014 Highlights (compared to FY 2013):

- Revenue increased 60% to \$13.2 million;
- Sales of heat recovery systems and GEM[®] Condensate return systems increased 77% and 37% respectively;
- Gross profit increased 40% to just under \$7.0 million;
- Net income of \$634 thousand compared to a net loss of \$2.8 million;
- Adjusted operating cash flow of \$1.3 million compared to negative \$1.4 million a year ago;
- Net cash position totalled \$2.0 million compared to \$1.3 million as at May 31, 2013;
- The Company had an order backlog of approximately \$3.9 million as at September 23, 2014¹.

“An exceptionally strong fourth quarter capped a banner year for Thermal Energy International,” said William Crossland, CEO of Thermal Energy. “Already ahead of fiscal 2013’s revenue by the end of the third quarter, our fourth quarter revenue increased 151% with triple digit growth in both our heat recovery and GEM[®] businesses. This helped drive us to record highs in gross profit, net income and cash flow for the year on near record revenue.”

Mr. Crossland added: “Energy efficiency remains the low-hanging fruit for industrial, institutional and commercial operations looking to reduce their energy spending and greenhouse gas emissions. Our proven and proprietary solutions with their high return on investment and short, compelling payback continue to be well received by our growing list of multinational customers. Over the last six months we have invested heavily in expanding our sales and distribution capabilities, hiring a number of new sales and marketing staff, and launching a professionally-delivered on-going sales training and development program. Going forward, we intend to continue expanding our sales team and over the longer term we look forward to capitalizing on these enhanced sales capabilities as well as the significant potential for

¹ The Company includes in order “backlog” any purchase orders that have been received by the Company but have not yet been reflected as revenue in the Company’s published financial statements.

cross selling and other repeat business with a number of our multinational customers. We are successfully growing our base business, however in the short term our revenue will continue to be impacted by the timing of large orders.”

Summary Financial Results

In thousands except % data	3 months ended May 31, 2014	3 months ended May 31, 2013	Year ended May 31, 2014	Year ended May 31, 2013
Revenue	\$4,717	\$1,879	\$13,151	\$8,210
Gross profit	\$2,738	\$746	\$6,974	\$4,977
Gross margin	58.0%	39.7%	53.0%	60.6%
Operating expenses	\$2,071	\$1,302	\$6,399	\$5,822
EBITDAS	\$710	\$(424)	\$879	\$(435)
Net income (loss)	\$697	\$(2,687)	\$634	\$(2,849)
Adjusted operating cash flow	\$1,008	\$(364)	\$1,349	\$(1,384)

Q4 2014 Financial Review:

Revenue for the quarter increased 151.0% to \$4.7 million compared to revenue of \$1.9 million for the fourth quarter a year ago. Heat recovery sales increased by \$2.2 million or 167.7%, bolstered by projects at two sites of a major Fortune 500 food and beverage company (as announced September 16, 2013), the substantial completion of an installation at a major pulp and paper company (as announced June 3, 2013), plus two hospital conversions and an equipment sale to a global mining and materials company (as announced December 18, 2013). Sales of GEM[®] Condensate return systems increased by \$0.7 million or 114.4%. Higher GEM[®] sales were largely due to the fulfilment of two orders received from a global diversified healthcare company, as announced February 18, 2014 and May 12, 2014, plus a further site conversion of a Fortune 500 food and beverage company.

Gross profit increased 266.8% to \$2.7 million compared to \$0.7 million in the fourth quarter of last year. The increase was the result of higher revenues and higher margins on heat recovery projects. As a percentage of sales, gross profit for the quarter was 58.0% compared with 39.7% in the final quarter of fiscal 2013.

Operating expenses for the quarter were \$2.1 million compared to \$1.3 million for the fourth quarter a year earlier. The increase was predominantly the result of commissions on the increased revenues, higher costs attributable to additional sales and marketing staff, and reduced foreign exchange gains resulting from the strengthening of Sterling against the Canadian Dollar.

EBITDAS (defined as earnings before interest, taxation, depreciation, amortization, impairment of goodwill and other intangible assets, share-based compensation expense and net write down of lease) for the quarter was \$710 thousand compared to a loss of \$424 thousand in the fourth quarter a year ago.

Net income for the quarter was \$697 thousand compared to a loss of \$2.7 million in the fourth quarter of fiscal 2013.

Adjusted operating cash flow (defined as net income for the period, plus items not involving cash, plus lease payments received) for the quarter was \$1.0 million versus negative \$213 thousand in the fourth quarter the year earlier.

Fiscal Year 2014 Financial Review:

Revenue for the fiscal year increased 60% to \$13.2 million compared to \$8.2 million the year before. Sales of heat recovery systems increased 77.4% year-over-year. Heat recovery sales included revenues from the projects mentioned in the Q4 2014 financial review above as well as an additional hospital conversion earlier in the year. Sales of GEM® Condensate return systems were up 36.9% and included the fulfilment of orders received from a major food and beverage manufacturer, as announced July 3, 2013; a global premium beer company, as announced February 10, 2014; a global diversified healthcare company, as announced February 18, 2014 and May 12, 2014; and a Fortune 500 food and beverage company, as announced September 13, 2013, as well as general increases throughout the rest of the world.

Gross profit increased 40% to \$7.0 million compared to \$5.0 million in fiscal 2013. As a percentage of sales, gross margin was 53% in fiscal 2014 compared with 61% in fiscal 2013. The higher gross profit as a percentage of sales in the previous year was due to the capitalization of the Greenpower Purchase Agreement extension with Fortress Specialty Cellulose, which carried very little cost. Heat recovery margins overall were improved in fiscal 2014 over previous years.

Operating expenses for fiscal 2014 were \$6.4 million compared to \$5.8 million the prior year. The increase was predominantly the result of commissions on the increased revenues and higher costs attributable to additional sales and marketing staff.

EBITDAS for the year was \$879 thousand compared to a loss of \$435 thousand in the prior year.

Net income for the year was \$634 thousand compared to a loss of \$2.8 million in fiscal 2013. Adjusted operating cash flow for the year was \$1.3 million versus negative \$1.4 million the year before.

Cash Resources and Working Capital

The Company's net cash position improved to \$2.0 million as at May 31, 2014, compared to \$1.3 million as at May 31, 2013. The Company also had an estimated \$186 thousand of unused borrowing capacity under its bank loans. With cash balances and unused borrowing capacity of approximately \$2.2 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 May 31, 2014 was \$2.8 million compared to \$1.5 million as at May 31, 2013.

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.

William Crossland
President and CEO
Thermal Energy International Inc.
613-723-6776
bill.crossland@thermalenergy.com

Trevor Heisler
Investor Relations
Heisler Communications
416-500-8061
trevor@heislercommunications.com

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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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