



Thermal Energy International Reports Year End Financial Results

OTTAWA, ONTARIO – September 25, 2015 – [Thermal Energy International Inc.](#) (“Thermal Energy” or the “Company”) (TSXV: [TMG](#)), a global provider of proprietary energy efficiency solutions to the industrial, commercial and institutional sectors world-wide, today announced its financial results for the three-month and twelve-month periods ended May 31, 2015. All figures are in Canadian dollars.

FY 2015 Financial Highlights (Compared to FY 2014):

- Revenue decreased 48.3% to \$6.8 million on lower heat recovery systems and GEM™ Condensate return systems sales;
- Gross profit decreased 48% to \$3.6 million;
- Net loss of \$2.2 million compared to net income of \$634 thousand in fiscal 2014;
- Adjusted operating cash flow of negative \$1.4 million compared to positive \$1.3 million a year ago;
- Net cash position totalled \$715 thousand compared to \$2.0 million as at May 31, 2014;
- The Company had an order backlog of approximately \$5.7 million as at September 23, 2015 compared to \$3.9 million a year ago.

“Despite the record results we reported a year ago, our financial results for fiscal 2015 were very disappointing,” said William Crossland, CEO of Thermal Energy. *“We made a significant investment in our sales and marketing team over the last 18 months but our susceptibility to the timing of large orders and the typically long sales cycle for our products delays the impact new sales staff have on our results. We are ever more focused on mitigating against these susceptibilities. This includes winning more business with large, multi-site customers and continuing to roll out our corporate accounts strategy. Subsequent to year end, we have announced orders from new customers and new industries, as well as cross-selling and other repeat business from several multi-site customers. We have great products, a healthy order backlog, a strong pipeline of sales opportunities to capitalize on, and I believe we have the right strategy in place for maximizing long term growth.”*

Summary Financial Results

In thousands except % data	3 months ended May 31, 2015	3 months ended May 31, 2014	12 months ended May 31, 2015	12 months ended May 31, 2014
Revenue	\$2,525	\$4,717	\$6,800	\$13,151
Gross profit	\$1,194	\$2,738	\$3,628	\$6,974
Gross margin	47.3%	58.0%	53.4%	53.0%
Operating expenses	\$1,517	\$2,071	\$6,006	\$6,399
EBITDAS	\$(257)	\$710	\$(2,049)	\$879
Net income (loss)	\$(338)	\$697	\$(2,155)	\$634
Adjusted cash flow	\$(126)	\$1,008	\$(1,404)	\$1,349

Q4 2015 Financial Review:

Revenue for the quarter decreased 46% to \$2.5 million compared with \$4.7 million for the fourth quarter the year before. Sales of heat recovery systems decreased by \$1.9 million (or 55.7%) and included the substantial conversion at a food manufacturing site (as announced January 26, 2015); a conversion at a manufacturer of interior lining products (as announced January 5, 2015); the first half of a hospital conversion (as announced January 29, 2015); and the initial engineering stages of a project at a packaged food company (as announced December 1, 2014). This compared to the substantial completion of an installation at a pulp and paper plant, two hospital conversions, and an equipment sale to a global diversified mining and materials company in the fourth quarter of fiscal 2014. Revenue attributable to GEM™ condensate return systems decreased by \$266 thousand (or 21.1%) mainly due to a lack of significant orders.

Gross profit for the quarter decreased 56.4% to \$1.2 million compared to \$2.7 million in the fourth quarter of last year. The decrease was the result of lower revenues and lower margins on heat recovery projects. Gross profit expressed as a percentage of sales decreased to 47.3% compared with 58% in the fourth quarter of fiscal 2014.

Operating expenses for the quarter were \$1.5 million compared to \$2.1 million for the fourth quarter a year earlier. The decrease was predominantly the result of reduced sales commissions and the lack of any staff incentive payments as a result of the Company's financial performance during the year.

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 negative \$257 thousand compared to \$710 thousand in the fourth quarter the prior year.

The Company had a net loss of \$338 thousand for the quarter compared to net income of \$697 for the same period of fiscal 2014. 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 \$126 thousand compared to \$1.0 million in the fourth quarter of fiscal 2014.

Fiscal Year 2015 Financial Review:

Revenue for the fiscal year 2015 decreased 48.3% to \$6.8 million compared to \$13.2 million in fiscal 2014. Revenue from heat recovery systems decreased by \$5.0 million (or 60.2%). Other than a site conversion at a Fortune 500 food and beverage company (as announced August 27, 2014); the substantial completion of an installation at a site of another food producer (as announced January 26, 2015); and, the first half of a hospital conversion (as announced January 29, 2015), there were no significant projects during fiscal 2015. In fiscal 2014, significant heat recovery projects included two sites from the same Fortune 500 food and beverage company; the substantial completion of an installation at a major pulp and paper company; and, revenue from projects at three major hospitals. Revenue from GEM™ condensate return systems decreased by \$1.3 million (or 27.4%) as there were fewer significant orders compared to the prior year.

Gross profit for the year decreased 48% to \$3.6 million compared to approximately \$7.0 million in fiscal 2014. As a percentage of sales, gross profit improved to 53.4% compared to 53% in the prior year.

Operating expenses for the year were \$6.0 million compared to \$6.4 million in fiscal 2014. The decrease was largely due to lower sales commission paid and the lack of any staff incentive payments as a result of the Company's financial performance during the year.

EBITDAS for the year was negative \$2.0 million compared to \$879 thousand in the prior year.

Net loss for the year was approximately \$2.2 million compared to net income of \$634 thousand in fiscal 2014. Adjusted operating cash flow for the year was negative \$1.4 million versus \$1.3 million the year before.

Cash Resources and Working Capital

The Company's working capital as at May 31, 2015 was \$488 thousand compared to \$2.8 million at May 31, 2014. The Company's net cash position (cash and cash equivalents less bank loans) decreased by \$1.3 million to \$715 thousand as at May 31, 2015 compared to \$2.0 million at May 31, 2014. In addition to its net cash balance, the Company also had an estimated \$140 thousand of unused borrowing capacity under its bank loans at the end of fiscal 2015.

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 established global supplier of proprietary, proven energy efficiency and emissions reduction solutions to the industrial and institutional sectors worldwide. We save our customers money and improve their bottom line by reducing their fuel use and cutting their carbon emissions. Our customers include a large number of Fortune 500 and other leading multinational companies across a wide range of industry sectors.

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 unique and significant financial and environmental benefits to our customers.

Thermal Energy's products include; [GEM™](#) - Steam traps, [FLU-ACE®](#) - Direct contact condensing heat recovery, and [Dry-Rex™](#) - Low temperature biomass drying systems.

Thermal Energy International Inc. has offices in Ottawa, Canada as well as Bristol, U.K., United States, Italy and China. The Company's common shares are traded on the TSX Venture Exchange (TSX-V) under the symbol TMG.

For more information, visit our website at www.thermalenergy.com and follow us on Twitter at <http://twitter.com/GoThermalEnergy>.

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 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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