



Thermal Energy International Reports First Quarter Results and Strong Order Backlog of \$7.8 million

OTTAWA, ONTARIO – October 20, 2016 – [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, today announced its financial results for the three-month period ended August 31, 2016. All figures are in Canadian dollars.

Highlights:

- Stronger order backlog of \$7.8 million as at October 18, 2016 compared with \$3.7 million a year ago;
- GEM revenue was up 55.5% for the quarter.
- Overall revenue decreased 16.5% to \$2.1 million due to lower heat recovery revenues ;
- Gross margin increased to 68.2% of revenue compared to 43.0% for the same period last year due to increased GEM™ sales;
- Higher gross profit and lower operating expenses resulted in an improved bottom line compared with a year ago.

“Despite lower revenue for the quarter, our gross profit increased significantly and we have a robust order backlog of \$7.8 million,” said William Crossland, CEO of Thermal Energy. *“Since the beginning of the first quarter we announced nearly \$2.5 million in hospital orders, a \$750 thousand heat recovery order from a global brewing company, and most recently, a \$1.7 million heat recovery order from a leading ethanol producer. We also received several other smaller orders both during and subsequent to the end of the first quarter. These orders came from many different industries, including biotech and pharmaceutical, mining and resources, performance materials, textiles, food service packaging, and tire manufacturing. With two proven products that reduce both energy bills and carbon emissions, and with governments around the world taking unprecedented action with regards to climate change, we believe we are well-positioned to continue our strong track record of growth.”*

Summary Financial Results

In thousands except % data	3 months ended August 31, 2016	3 months ended August 31, 2015
Revenue	\$2,135	\$2,557
Gross profit	\$1,456	\$1,100
Gross margin	68.2%	43.0%
Operating expenses	\$1,491	\$1,567
EBITDAS	\$3	\$(401)
Net income (loss)	\$(80)	\$(453)
Adjusted cash flow	\$(79)	\$(336)

Q1 2017 Financial Review:

Revenue for the quarter was \$2.1 million, representing a decrease of 16.5% compared to \$2.6 million for the first quarter of last year. Despite a strong heat recovery order backlog, due to the timing of project implementation, heat recovery systems revenue decreased 55.9% as it included only the closing stages of an installation at a major hospital, as announced October 29, 2015 plus an installation at a major food producer, as announced May 3, 2016. Revenue from GEM condensate return systems increased 55.5% and included the partial conversion of a plant belonging to a Fortune 500 food and beverage company as well as revenues from the various orders mentioned in the Company's news release dated September 20, 2016.

Gross profit for the quarter was approximately \$1.5 million, an increase of 32.4% compared to \$1.1 million in the first quarter a year earlier. The increase was attributable to the higher proportion of GEM product sales during the most recent quarter, which resulted in gross profit as a percentage of sales increasing to 68.2% from 43.0% a year earlier.

The higher gross profit combined with lower operating costs resulted in improved 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) and a smaller net loss for the quarter. EBITDAS for the quarter was \$3 thousand compared with negative \$401 thousand a year earlier. The Company had a net loss of \$80 thousand versus a net loss of \$453 thousand in the first quarter of last year.

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 \$79 thousand compared to negative \$336 thousand a year earlier.

Cash Resources and Working Capital

The Company had working capital of \$898 thousand as at August 31, 2016 compared to \$976 thousand as at May 31, 2016. The Company's net cash position (cash and cash equivalents less bank loans) was \$836 thousand as at August 31, 2016 compared to \$1.1 million as at May 31, 2016. In addition to its net cash balance, the Company also had an estimated \$369 thousand of unused borrowing capacity under its bank loans at the end of the most recent quarter.

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/financial-reports. A brief slide presentation highlighting select financial results is also available on the Company's website at www.thermalenergy.com/financial-reports.

Order and Backlog Summary

On July 25, 2016, the Company announced that it had received an \$840 thousand order from a multi-site hospital group to connect all four boiler plants at one of the customer's three hospitals to an existing heat recovery system previously installed by Thermal Energy.

On August 4, 2016, the Company announced it had received \$1,148 thousand in orders from a hospital trust, including an \$868 thousand heat recovery system at one of the trust's hospitals and a \$280 thousand GEM order for another of the trust's hospitals.

On August 8, 2016, the Company announced it had received a \$750 thousand heat recovery order from one of the world's largest beer companies.

On September 14, 2016, the Company announced it had received a \$500 thousand GEM order from a new hospital customer.

On [September 28, 2016](#), the Company announced it had received a \$1.7 million order from a leading producer of industrial and fuel alcohols for the supply and installation of one of Thermal Energy's proprietary FLU-ACE heat recovery systems, which will be used to heat a greenhouse being built adjacent to one of the customer's ethanol plants.

The following orders were also received during the quarter or subsequent to quarter end:

- Four GEM orders totaling approximately \$200 thousand from an international textiles manufacturer;
- \$190 thousand heat recovery order from a global mining and materials company (the Company previously sold a heat recovery system to this customer in fiscal 2014).
- \$452 thousand in GEM orders from a leading performance materials company, following the \$404 thousand (including \$96 thousand not yet included in revenue) in orders received during fiscal 2016;
- \$158 thousand GEM order from a Fortune 500 pharmaceutical company;
- \$105 thousand GEM order from a multinational biotech company;
- Six GEM orders totaling \$103 thousand from a leading tire manufacturer;
- \$75 thousand heat recovery order from a food service packaging company (highlighted as an example of Thermal Energy's ability to work creatively with the customer to develop a modified system that fits within their limited budget and addresses site-specific concerns related to high particulate matter in the heat source air stream);
- \$102 thousand GEM order from a leading food ingredients business.

Including the above mentioned orders, the Company had an order backlog of approximately \$7.8 million as at October 18, 2016, compared to \$3.7 million at the same time last year. The Company includes in "order backlog" the value of projects in respect of which purchase orders have been received but have not yet been reflected as revenue in the Company's published quarterly financial statements.

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. 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>.

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This news 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 term "backlog" as used in this news release has the meaning given to it above and the Company's use of such term may not be comparable to "backlog" presented by other issuers who may define such term differently. Orders in the Company's backlog as described above may not turn into revenue due to many factors, some of which are outside of the Company's control, including but not limited to the Company's ability to deliver products on time and in accordance with specifications and the continuing financial viability of the customer. The Company disclaims any obligation to publicly update or revise any such statements except as required by law.

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