



Thermal Energy International Reports Second Quarter Financial Results

OTTAWA, ONTARIO – January 29, 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, today announced its financial results for the three months ended November 30, 2014. All figures are in Canadian dollars.

Highlights:

- Revenue was \$1.7 million for the quarter and \$2.8 million for the first six months or the year-to-date (“YTD”);
- Gross profit was \$1.0 million (or 61.3% of revenue) for the quarter and \$1.7 million (or 60.8% of revenue) YTD;
- The Company incurred a net loss of almost \$0.5 million for the quarter and a net loss of nearly \$1.2 million YTD;
- Operating cash flow was negative \$338 thousand for the quarter and negative \$811 thousand YTD;
- The Company has net cash of \$1.0 million at quarter end, compared to \$2.0 million as at May 31, 2014;
- Subsequent to quarter end, the Company received purchase orders for three heat recovery systems;
- The Company had an order backlog of approximately \$3.5 million as at January 26, 2015.

“We had a disappointingly slow first half of fiscal 2015 following a record year last year,” said William Crossland, CEO of Thermal Energy. “Our second quarter last year was exceptionally strong and included revenues from a number of major heat recovery projects as well as the substantial completion of a large GEM[®] order from a hospital, and the fulfilment of the largest individual GEM[®] order in the Company’s history. Despite the fact that our financial results over the short term remain susceptible to the timing of large orders as evidenced by the first six months of this year, we remain confident that we are executing a sound strategy for long term growth. We have enhanced our sales hiring and training processes, and have hired 7 new sales and marketing staff in the last 12 months. We intend to continue adding to our sales and distribution capabilities and are encouraged by our increasing penetration in new areas and with new customers. In the last two months following quarter end we have announced three heat recovery orders, all of which were from new customers.”

Summary Financial Results

In thousands except % data	3 months ended Nov. 30, 2014	3 months ended Nov. 30, 2013	6 months ended Nov. 30, 2014	6 months ended Nov. 30, 2013
Revenue	\$1,663	\$4,014	\$2,834	\$5,536
Gross profit	\$1,019	\$1,875	\$1,722	\$2,845
Gross margin	61.3%	46.7%	60.8%	51.4%
Operating expenses	\$1,599	\$1,647	\$3,059	\$3,002
EBITDAS	\$(487)	\$311	\$(1,145)	\$25
Net income (loss)	\$(491)	\$238	\$(1,160)	\$(121)
Adjusted cash flow	\$(338)	\$434	\$(811)	\$328

Q2 2015 Financial Review:

Revenue for the quarter was \$1.7 million, representing a decrease of 58% when compared to revenue of \$4.0 million for the same quarter a year ago. The lower revenue was attributable to a 68% decrease in heat recovery sales and a 40% decrease in GEM[®] Condensate return system sales compared to the second quarter of last year.

Heat recovery sales in the second quarter of last year included \$1.4 million in revenues from the partial installation at a major pulp and paper company, as well as a hospital conversion and the commencement of two installations at a major food and beverage company. Although the second quarter of the current year included the commencement of one other heat recovery system at the same food and beverage company, there was little additional activity other than concluding minor work on the major pulp and paper company project plus the completion of an extension to an installation at a hospital, as announced July 15, 2014.

GEM[®] Condensate return system sales in the second quarter of last year included revenues from two major food and beverage manufacturers, as well as a major hospital conversion. The second quarter of fiscal 2015 contained no such sales.

Gross profit for the quarter was \$1.0 million compared to \$1.9 million for the second quarter of last year, representing a decrease of 45%. As a percentage of sales, gross profit for the quarter was 61.3% compared to 46.7% in the second quarter of last year. The improved margin was a result of a higher percentage of revenues from GEM sales.

Operating expenses for the quarter totaled \$1.6 million, representing a decrease of 2.9% compared to the second quarter of last year. The decrease was attributable to a decrease in commissions payable resulting from the reduced revenues; improved foreign exchange gains due to the strengthening of the U.S. dollar against the Canadian dollar; and partially offset by the costs associated with the addition of extra sales staff.

The Company incurred a net loss for the quarter of \$491 thousand compared to net income of \$238 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 negative \$338 thousand compared to positive \$434 thousand for the same period last year.

In addition to its net cash balance of \$1.0 million at quarter end the Company also had an estimated \$137 thousand of unused borrowing capacity under its bank loans. With cash balances and unused borrowing capacity of approximately \$1,175,425, management believes that it has sufficient capital resources to fund existing operations and anticipated capital requirements in FY 2015.

As at November 30, 2014, the Company's net cash position amounted to \$1.0 million, compared to \$2.0 million as at May 31, 2014. With cash balances and unused borrowing capacity totaling approximately \$1.2 million, management believes that it has sufficient capital resources to fund existing operations and anticipated capital requirements in the remainder 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 innovative cleantech company providing proprietary and proven energy efficiency solutions to the industrial, commercial and institutional markets 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 breadth of industry sectors.

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 is also a fully accredited professional engineering firm, and can offer advanced process and applications engineering services. Thermal Energy International Inc. has offices in Ottawa, Canada as well as Bristol, U.K., United States, Italy and China.

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 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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