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FOR IMMEDIATE RELEASE

**FUEL TECH REPORTS 2010 FOURTH QUARTER
AND ANNUAL FINANCIAL RESULTS**

WARRENVILLE, Ill., Mar. 9, 2011 – Fuel Tech, Inc. (NASDAQ: FTEK), a world leader in advanced engineering solutions for the optimization of combustion systems and emissions control in utility and industrial applications, today reported results for the three- and 12-month periods ended December 31, 2010.

Fourth Quarter 2010

Revenues for the fourth quarter totaled \$25.0 million, a 34% increase from the comparable prior-year quarter. Net income for the quarter was \$1.0 million, or \$0.04 per diluted share, compared with net income of \$0.2 million, or \$0.01 per diluted share, in the same year-ago quarter. Adjusted EBITDA was \$3.8 million, up from \$3.2 million in the fourth quarter of 2009.

The Air Pollution Control technology segment (APC segment) recorded revenues of \$13.2 million, an increase of 25% versus the fourth quarter of 2009. Segment gross margins were 32% in the fourth quarter of 2010 versus the 39% reported in the fourth quarter of 2009, primarily due to a mix of lower margin projects and the timing of project milestones for other contracts that primarily involve activities such as initial engineering design and project start-up activities, in support of APC existing projects.

The FUEL CHEM[®] technology segment (FUEL CHEM segment) generated revenues of \$11.8 million, an increase of 45% from the comparable 2009 quarter. Increased revenues were predominately due to the addition of new customer accounts. Current quarter revenues include

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\$10.9 million from coal-fired units, a 59% increase versus a year ago, and \$0.9 million from non-coal-fired units, down 28% from the comparable prior-year quarter, reflecting lower sales to oil-fired units as reduced industrial loads and the high cost of oil suppressed its use as a fuel source. Segment gross margins increased from 48% in the fourth quarter of 2009 to 51% in the current quarter due to reduced domestic FUEL CHEM demonstration program expenses.

Selling, general and administrative (SG&A) expenses totaled \$7.6 million in the current quarter versus \$7.1 million in the same year-ago period. Increases in expenses related to sales commissions and employee incentive programs were directly attributed to favorable results for the quarter. Partially offsetting these increases were reductions in stock compensation expense and expenses relating to a reduction and restructuring of the workforce.

Research and development (R&D) expenses were \$0.4 million, compared with \$0.2 million in the fourth quarter of 2009, as R&D activities ramp up to provide additional enhancements to the Company's existing suite of technologies.

Full Year 2010

Revenues for 2010 were \$81.8 million, up 15% from \$71.4 million in 2009. Net income for the year was \$1.8 million, or \$0.07 per diluted share, up from a net loss of \$2.3 million, or (\$0.10) per diluted share, for the prior year. Adjusted EBITDA in 2010 was \$12.1 million, an increase of 54% from the \$7.8 million recorded in the prior year.

The APC technology segment recorded revenues of \$40.9 million, an 18% increase versus fiscal 2009, as utility and industrial customers continue to make operation improvements and prepare to comply with Federal and State regulations. Segment gross margins decreased to 34% versus 38% reported for full year 2009. The decline was primarily due to the mix of lower margin project work including one large capital project that contained a significant amount of installation work that was passed through at a nominal margin.

Revenues for the FUEL CHEM segment totaled \$40.9 million versus \$36.7 million in total 2009 segment revenues. Of the \$40.9 million in total 2010 segment revenues, \$37.4 million was associated with coal-fired units (a 15% increase versus the comparable prior-year period) while revenues from non-coal-fired units declined 16% to \$3.5 million. Segment gross margins increased to 51% for fiscal 2010 from 43% for fiscal 2009, reflecting the impact of lower demonstration costs and a one-time contingent risk share payment of \$2.0 million that was recognized in 2010 but

related to a demonstration that occurred in 2009. At December 31, 2010, no contingent payments existed for carryover to 2011.

SG&A expenses totaled \$30.9 million versus \$32.3 million in the same year-ago period. This decrease can be mainly attributed to expenses related to a reduction and restructuring of the workforce and decreased stock compensation expense. Partially offsetting these reductions were increases to employee incentive programs and commissions relating to favorable financial performance for both the quarter and year ending December 31, 2010. R&D expenses for fiscal 2010 were \$0.9 million versus \$0.6 million for fiscal 2009 as a continued focus on R&D activities to enhance product offerings is maintained.

For 2010, the Company announced contract awards with a value of approximately \$32.3 million. After accounting for the conversion of backlog to revenues during this period, the APC segment capital projects backlog stood at \$19.3 million as of December 31, 2010. Subsequent to December 31, 2010, the Company has announced APC orders with a value of \$2.7 million.

Douglas G. Bailey, Chairman, President and Chief Executive Officer, commented, "I am very proud of what we have achieved in 2010. Despite the sluggish economy, weakness in the power market, and continued domestic regulatory uncertainty, we finished the year with record annual revenues and strong operating income gains, driven by increases in both the APC and FUEL CHEM segments."

Mr. Bailey continued, "The FUEL CHEM segment achieved record revenues and operating income for both the quarter and the year. This is especially remarkable given that most of our domestic coal utility customers experienced reductions in coal-fired power generation due to the operation of natural gas and alternative energy sources at heavier loads. Despite this challenging environment, we are winning new business and commencing new programs on coal-fired boilers, predominantly on larger-size units."

Mr. Bailey added, "With power generating stations under pressure to achieve maximum availability, higher efficiency, and minimum environmental emissions at the lowest possible cost, fuel flexibility for utility operators has become a high priority, both financially and operationally. The wide spread in U.S. coal prices continues to be a significant driver for our FUEL CHEM business as utilities are increasingly attracted to the compelling economic benefits of shifting from Appalachian coals, generally one of the fuels with the higher heat content and fewest operational

issues, to the lower priced and lower British thermal unit (BTU) coals originating in the Illinois Basin and Powder River Basin.”

Mr. Bailey continued, “On the APC front, interest in our pollution control technologies, on both a new and retrofit basis, remains strong, both domestically and abroad. During 2010, we were pleased to have announced an alliance agreement with a major domestic power producer that resulted in the receipt of nine Selective Non-Catalytic Reduction (SNCR) orders on coal-fired boilers. We also received an order in Spain for two aqueous ammonia Selective Catalytic Reduction (SCR) systems for NOx reduction, which represented our largest single contract for a system operating in Europe. In China, important milestones were also achieved as we announced our first Low NOx Burner (LNB)/ Over-Fire Air (OFA) project and our first ULTRA™ award on district heating units.”

“Domestic quotation activity remains quite active, due in part to the EPA’s proposed Transport Rule, which was released in July 2010 and is expected to be finalized around July 2011. While the final requirements of the proposed rule are under review and the final structure is yet to be determined, we view the proposed accelerated compliance schedule and the incremental NOx reduction requirements as a positive driver for future business.”

“We are off to a strong start in 2011 with the following China APC awards: our first Selective Catalytic Reduction (SCR) design services project, an award from China’s largest electric utility for two ULTRA systems, and an ASCR™ Advanced SCR project which incorporates our combined LNB/OFA/NOxOUT® SNCR and SCR technologies. These awards highlight our unique ability to combine multiple technologies on a project-specific basis and afford us a competitive position in bidding on power plant units of all sizes.”

“In China, as we have consistently stated, we believe the NOx control market will increasingly emerge after the country’s Twelfth Five-Year Plan is approved and is soon expected to go into effect. The requirements in the Policy align well with our portfolio of NOx reduction capabilities, which cover the full spectrum from combustion modifications to ASCR™ systems, and we anticipate receiving future orders as a result of this new Policy.”

Mr. Bailey concluded, “We are very encouraged about our business prospects and believe that we are well positioned to increase our market-share both the multi-pollutant emissions control and energy efficiency markets. With respect to 2011, we believe that revenues and profits will exceed 2010 results as APC orders steadily improve, the result of upcoming regulations in the U.S.

and China, and FUEL CHEM announcements are forthcoming, as utilities strive to enhance fuel flexibility by adding Powder River Basin and Illinois Basin coals to their fuel mix.”

Conference Call

As a reminder, Fuel Tech will host a conference call on Thursday, March 10 at 9:00 AM EST to discuss the results. The call will simultaneously be broadcast over the Internet at www.ftek.com and can be accessed under “[Upcoming Events](#)” on the Home page. The call can also be accessed by dialing 800.798.2864 (domestic) or 617.614.6206 (international) and using the passcode “Fuel Tech.” A replay of the call will be available on the website and can be accessed by dialing 888.286.8010 (domestic) or 617.801.6888 (international) and using the passcode “64105338.” The replay will be available until April 9, 2011.

About Fuel Tech

Fuel Tech is a leading technology company engaged in the worldwide development, commercialization and application of state-of-the-art proprietary technologies for air pollution control, process optimization, and advanced engineering services. These technologies enable customers to produce both energy and processed materials in a cost-effective and environmentally sustainable manner.

The Company’s nitrogen oxide (NO_x) reduction technologies include advanced combustion modification techniques - such as [Low NO_x Burners](#) and [Over-Fire Air systems](#) - and post-combustion NO_x control approaches, including [NO_xOUT[®]](#) and [HERT[™] SNCR](#) systems as well as systems that incorporate [ASCR[™]](#) (Advanced Selective Catalytic Reduction), [CASCADE[™]](#), [ULTRA[™]](#) and [NO_xOUT-SCR[®]](#) processes. These technologies have established Fuel Tech as a leader in NO_x reduction, with installations on over 640 units worldwide, where coal, fuel oil, natural gas, municipal waste, biomass, and other fuels are utilized.

The Company’s [FUEL CHEM[®]](#) technology revolves around the unique application of chemicals to improve the efficiency, reliability, fuel flexibility and environmental status of combustion units by controlling slagging, fouling, corrosion, opacity and operational issues associated with sulfur trioxide, ammonium bisulfate, particulate matter (PM_{2.5}), carbon dioxide and NO_x. The Company has experienced with this technology, in the form of a customizable FUEL CHEM program, on over 110 combustion units burning a wide variety of fuels including coal, heavy oil, biomass, and municipal waste.

Fuel Tech also provides a range of combustion optimization services, including airflow testing, coal flow testing and boiler tuning, as well as services to help optimize selective catalytic reduction system performance, including catalyst management services and ammonia injection grid tuning. In addition, flow corrective devices and physical and computational modeling services are

available to optimize flue gas distribution and mixing in both power plant and industrial applications.

Many of Fuel Tech's products and services rely heavily on the Company's exceptional Computational Fluid Dynamics modeling capabilities, which are enhanced by internally developed, high-end visualization software. These capabilities, coupled with the Company's innovative technologies and multi-disciplined team approach, enable Fuel Tech to provide practical solutions to some of our customers' most challenging problems. For more information, visit Fuel Tech's web site at www.ftek.com.

This press release may contain statements of a forward-looking nature regarding future events. These statements are only predictions and actual events may differ materially. Please refer to documents that Fuel Tech files from time to time with the Securities and Exchange Commission for a discussion of certain factors that could cause actual results to differ materially from those contained in the forward-looking statements.

FUEL TECH, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands of dollars, except share and per-share data)

	December 31,	
ASSETS	2010	2009
Current assets:		
Restricted cash	\$ -	\$ 200
Cash and cash equivalents	30,524	20,965
Accounts receivable, net of allowance for doubtful accounts of \$82 and \$70, respectively	21,175	17,877
Inventories	807	450
Deferred income taxes	89	636
Prepaid expenses and other current assets	1,861	2,294
Total current assets	54,456	42,422
Property and equipment, net of accumulated depreciation of \$15,767 and \$14,562, respectively	14,384	15,549
Goodwill	21,051	21,051
Other intangible assets, net of accumulated amortization of \$3,203 and \$2,817, respectively	6,050	6,749
Deferred income taxes	5,000	4,183
Other assets	2,262	2,308
Total assets	\$ 103,203	\$ 92,262
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	\$ 2,269	\$ 2,925
Accounts payable	7,516	5,824
Accrued liabilities:		
Employee compensation	2,863	671
Income taxes payable	1,857	-
Other accrued liabilities	3,306	2,424
Total current liabilities	17,811	11,844
Other liabilities	1,482	2,196
Total liabilities	19,293	14,040
Stockholders' equity:		
Common stock, \$.01 par value, 40,000,000 shares authorized, 24,213,467 and 24,211,967 shares issued and outstanding, respectively	242	242
Additional paid-in capital	129,424	125,458
Accumulated deficit	(46,075)	(47,828)
Accumulated other comprehensive income	243	269
Nil coupon perpetual loan notes	76	81
Total stockholders' equity	83,910	78,222
Total liabilities and stockholders' equity	\$ 103,203	\$ 92,262

FUEL TECH, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per-share data)

	Three Months Ended December 31		Twelve Months Ended December 31	
	2010	2009	2010	2009
Revenues	\$ 24,997	\$ 18,683	\$ 81,795	\$ 71,397
Costs and expenses:				
Cost of sales	14,758	10,658	46,821	42,444
Selling, general and administrative	7,551	7,143	30,857	32,273
Gain from revaluation of contingent performance obligation	-	-	(768)	(781)
Research and development	373	151	948	542
	<u>22,682</u>	<u>17,952</u>	<u>77,858</u>	<u>74,478</u>
Operating income (loss)	2,315	731	3,937	(3,081)
Interest expense	(33)	(37)	(143)	(120)
Interest income	5	2	11	32
Other income (expense)	50	(75)	(119)	(241)
Income (loss) before taxes	<u>2,337</u>	<u>621</u>	<u>3,686</u>	<u>(3,410)</u>
Income tax (expense)/benefit	<u>(1,306)</u>	<u>(389)</u>	<u>(1,933)</u>	<u>1,104</u>
Net income (loss)	<u>\$ 1,031</u>	<u>\$ 232</u>	<u>\$ 1,753</u>	<u>\$ (2,306)</u>
Net income (loss) per common share:				
Basic	<u>\$ 0.04</u>	<u>\$ 0.01</u>	<u>\$ 0.07</u>	<u>\$ (0.10)</u>
Diluted	<u>\$ 0.04</u>	<u>\$ 0.01</u>	<u>\$ 0.07</u>	<u>\$ (0.10)</u>
Weighted-average number of common shares outstanding:				
Basic	<u>24,213,000</u>	<u>24,126,000</u>	<u>24,213,000</u>	<u>24,148,000</u>
Diluted	<u>24,432,000</u>	<u>24,126,000</u>	<u>24,405,000</u>	<u>24,148,000</u>