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**FOR IMMEDIATE REVIEW**

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## **FUEL TECH REPORTS THIRD QUARTER 2010 RESULTS**

**WARRENVILLE, Ill., November 4, 2010** – 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 quarter ended September 30, 2010.

Revenues for the third quarter totaled \$20.3 million, an increase of \$3,804 or 23% over the comparable prior-year period. Net income for the quarter was \$0.8 million, or \$0.03 per diluted share, which was an increase of \$0.06 from the same year-ago quarter.

Revenues for the nine-months ending September 30, 2010 totaled \$56.8 million, representing an increase of \$4,084, an 8% increase, from the comparable prior-year period. Net income for the nine-month period was \$0.7 million, or \$0.03 per diluted share, compared with a net loss of (\$2.5 million), or (\$0.11) per diluted share, in the same year-ago period.

The Air Pollution Control technology segment (APC segment) generated revenues of \$10.3 million, up 66%, versus the \$6.2 million recorded in the comparable year-earlier quarter. This increase reflects favorable timing of completion on existing capital project orders for pollution control equipment.

Gross margins for the APC segment remained flat at 34% compared with the same period a year ago. This reflects the Company's ability to maintain margins despite a fluctuation in product mix.

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For the first nine months of 2010, the APC segment recorded revenues of \$27.8 million, a 15% increase versus the comparable prior-year period. Segment gross margins for the nine month period stood at 35% versus 38% for the same period in 2009.

Revenues for the FUEL CHEM<sup>®</sup> technology segment (FUEL CHEM segment) totaled \$10.0 million, down 3% versus the comparable 2009 quarter. Current-quarter revenues include \$9.1 million from coal-fired units, a 4% decline versus a year ago, and \$0.9 million from non-coal fired units, a 15% increase versus the year-earlier quarter. Segment gross margins increased to 53% in the third quarter of 2010 from 42% in the comparable period in 2009.

Revenues for the FUEL CHEM<sup>®</sup> segment for the nine-month period totaled \$29.0 million, an increase of 2% versus the comparable 2009 period. The increase is accounted for by the recognition of a \$2 million risk-share payment in the first quarter of 2010 from a successful demonstration performed in the prior year. However, sluggish electricity demand continues to result in certain FUEL CHEM customers scaling back or shutting down certain boiler operations. This, in turn, has resulted in certain FUEL CHEM programs being operated at reduced levels or temporarily suspended. Nine-month revenues include \$26.5 million from coal-fired units, a 3% increase versus a year ago, and \$2.6 million from non-coal fired units, a 10% decline versus the year-earlier period. Segment gross margins increased to 52% in the first nine months of 2010 from 42% in the comparable period in 2009. The increase in gross margins is attributable to the aforementioned risk-share payment. Excluding the aforementioned risk share payment, gross margins for the FUEL CHEM segment in the nine months of 2010 would have been 48%.

Selling, general and administrative (SG&A) expenses totaled \$7.8 million in the current quarter, versus \$8.0 million in the same year-ago period. In addition, the Company recorded a one-time gain of \$0.8 million from the partial reversal of a contingent liability associated with a prospective earnout payment related to the acquisition of substantially all of the assets of Advanced Combustion Technology in January of 2009. Research and development (R&D) expenses were \$0.3 million versus \$0.2 million in the year-ago quarter.

Selling, general and administrative (SG&A) expenses totaled \$23.3 million in the first nine months of the year, versus \$25.1 million in the same year-ago period. Research and development (R&D) expenses were \$0.6 million in the first nine months of the year versus \$0.4 million in the year-ago period.

During the third quarter of 2010, the Company announced contract awards with a value of \$8.8 million. After accounting for the conversion of backlog to revenues during this period, the APC segment's capital projects backlog totaled \$20.3 million as of September 30, 2010.

Douglas G. Bailey, Chairman, President and Chief Executive Officer, commented, “While operating conditions remained challenging in the third quarter, we are encouraged by our results in both business segments. On the APC front, we received nitrogen oxide (NOx) reduction projects on three coal-fired boilers from a major domestic power producer as part of a larger alliance agreement calling for the potential supply of Selective Non-Catalytic Reduction (SNCR) systems and related services for multiple coal-fired generating units. We are pleased to have been selected as a key supplier in this alliance partner’s compliance plans and we anticipate receiving additional orders in the near future.”

Mr. Bailey added, “In China, we were awarded a NOxOUT<sup>®</sup> SNCR project at an industrial plant in Guangzhou City, the capital of Guangdong Province. This project, designed to satisfy NOx emission requirements in anticipation of the November Asian Games, represented our fourth NOx control order and eighth unit award in Guangzhou City. The Company also received its first ULTRA project on district heating units in China. Although long recognized as a key source of air pollution in China, it is only recently that local regulations in large cities have mandated NOx control on these small coal-fired boilers. China remains a very active market for Fuel Tech’s ULTRA technology and we are continuing to penetrate this new market.”

Mr. Bailey added, “Quotation activity in the APC segment remains quite active, due in part to the EPA’s proposed Transport Rule, which was released on July 6<sup>th</sup> and is expected to be finalized around June 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.”

Mr. Bailey continued, “In China, we are encouraged by the NOx Control Policy set forth by the Ministry of Environmental Protection. This lays out the framework for NOx regulations which will be forthcoming as part of the Twelfth Five-Year Plan that will go into effect on January 1, 2011. The requirements in the Policy align well with our portfolio of NOx reduction capabilities which cover the full spectrum from combustion modifications to ASCR<sup>™</sup> (Advanced Selective Catalytic Reduction) systems and we anticipate receiving future orders as a result of this new Policy.”

Mr. Bailey concluded, “Despite the sluggish economy and weakness in the power market, this is the strongest nine-month period in terms of revenues recorded for our FUEL CHEM business. We continue to be impacted by a number of plants that are running below expectations, as gas and alternative energy sources run heavier loads. However, we are commencing new programs at coal-fired units and winning new business in this challenging environment. Of particular note are

the recent four new TIFI<sup>®</sup> Targeted In-Furnace Injection<sup>™</sup> awards, two won during the third quarter and two won subsequent to the quarter-end. The growing divergence in pricing from major U.S. coal fields has been a principal driver for our business as utilities are increasingly attracted to the compelling economic benefits of shifting to the lower priced, and lower quality, coals originating in the Illinois Basin (ILB) and Powder River Basin (PRB). This ongoing shift in fuel preference should enable Fuel Tech to market its programs to an expanded base of ILB and PRB coal users as they look for significant cost savings while enabling operating performance.”

**Conference Call**

*As a reminder, Fuel Tech will host a conference call Friday at 9:00 AM EDT to discuss the results. The call will simultaneously be broadcast over the Internet at [www.ftek.com](http://www.ftek.com) and can be accessed on the Home page under “Upcoming Events.” The call can also be accessed by dialing 866-788-0544 (domestic) or 857-350-1682 (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 “56399499.” The replay will be available until November 30, 2010.*

**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<sub>x</sub>) reduction technologies include advanced combustion modification techniques - such as Low NO<sub>x</sub> Burners and Over-Fire Air systems - and post-combustion NO<sub>x</sub> control approaches, including NO<sub>x</sub>OUT<sup>®</sup> and HERT<sup>™</sup> SNCR systems as well as systems that incorporate ASCR<sup>™</sup> (Advanced Selective Catalytic Reduction), CASCADE<sup>™</sup>, ULTRA<sup>™</sup> and NO<sub>x</sub>OUT-SCR<sup>®</sup> processes. These technologies have established Fuel Tech as a leader in NO<sub>x</sub> reduction, with installations on over 600 units worldwide, where coal, fuel oil, natural gas, municipal waste, biomass, and other fuels are utilized.

The Company’s FUEL CHEM<sup>®</sup> 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<sub>2.5</sub>), carbon dioxide and NO<sub>x</sub>. This technology, in the form of a customizable FUEL CHEM program, is installed on over

90 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](http://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.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share and per share data)

	September 30, 2010	December 31, 2009
	(Unaudited)	(Note B)
<i><b>Assets</b></i>		
Current assets:		
Restricted cash	\$ -	\$ 200
Cash and cash equivalents	23,895	20,965
Accounts receivable, net of allowance for doubtful accounts of \$72 and \$70, respectively	22,312	17,877
Inventories	901	450
Deferred income taxes	636	636
Prepaid expenses and other current assets	2,377	2,294
Total current assets	50,121	42,422
Equipment, net of accumulated depreciation of \$15,723 and \$14,562, respectively	14,290	15,549
Goodwill	21,051	21,051
Other intangible assets, net of accumulated amortization of \$3,260 and \$2,817, respectively	6,225	6,749
Deferred income taxes	5,482	4,183
Other assets	2,557	2,308
Total assets	\$ 99,726	\$ 92,262
<i><b>Liabilities and Shareholders' Equity</b></i>		
Current liabilities:		
Short-term debt	\$ 2,239	\$ 2,925
Accounts payable	6,657	5,824
Accrued liabilities:		
Employee compensation	2,090	671
Other accrued liabilities	3,688	2,424
Total current liabilities	14,674	11,844
Other liabilities	2,348	2,196
Total liabilities	17,022	14,040
Shareholders' equity:		
Common stock, \$.01 par value, 40,000,000 shares authorized, 24,213,467 and 24,211,967 shares issued, respectively	242	242
Additional paid-in capital	129,238	125,458
Accumulated deficit	(47,109)	(47,828)
Accumulated other comprehensive income	257	269
Nil coupon perpetual loan notes	76	81
Total shareholders' equity	82,704	78,222
Total liabilities and shareholders' equity	\$ 99,726	\$ 92,262

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
<b>Revenues</b>	\$ 20,279	\$ 16,475	\$ 56,798	\$ 52,714
<b>Costs and expenses:</b>				
Cost of sales	11,496	10,034	32,063	31,786
Selling, general and administrative	7,808	8,000	23,306	25,130
(Gain) from revaluation of contingent performance obligation	(768)	(781)	(768)	(781)
Research and development	264	160	575	391
	<u>18,800</u>	<u>17,413</u>	<u>55,176</u>	<u>56,526</u>
<b>Operating (loss) income</b>	1,479	(938)	1,622	(3,812)
Interest expense				
Interest income	(33)	(27)	(110)	(83)
Other expense	4	7	6	30
<b>Loss before taxes</b>	<u>89</u>	<u>(4)</u>	<u>(169)</u>	<u>(166)</u>
Income tax benefit	1,539	(962)	1,349	(4,031)
	<u>(722)</u>	<u>264</u>	<u>(627)</u>	<u>1,493</u>
<b>Net loss</b>	<u>\$ 817</u>	<u>\$ (698)</u>	<u>722</u>	<u>\$ (2,538)</u>
<b>Net loss per Common Share:</b>				
Basic				
Diluted	<u>\$ 0.03</u>	<u>\$ (0.03)</u>	<u>\$ 0.03</u>	<u>\$ (0.11)</u>
	<u>\$ 0.03</u>	<u>\$ (0.03)</u>	<u>\$ 0.03</u>	<u>\$ (0.11)</u>
<b>Weighted-average number of Common Shares outstanding:</b>				
Basic				
Diluted	<u>24,213,000</u>	<u>24,142,000</u>	<u>24,213,000</u>	<u>24,127,000</u>
	<u>24,381,000</u>	<u>24,142,000</u>	<u>24,401,000</u>	<u>24,127,000</u>

**FUEL TECH, INC.**  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)  
(in thousands)

	Nine Months Ended September 30	
	2010	2009
<b>Operating activities</b>		
Net cash provided by operating activities	<u>\$ 4,654</u>	<u>\$ 7,502</u>
<b>Investing activities</b>		
Acquisition of business	-	(20,186)
Reduction in restricted cash	200	(881)
Purchases of property, equipment and intangible assets	<u>(1,305)</u>	<u>(1,774)</u>
Net cash used in investing activities	<u>(1,105)</u>	<u>(22,841)</u>
<b>Financing activities</b>		
(Payments) proceeds of/from short-term borrowings	(686)	5
Issuance of deferred shares	74	63
Proceeds from exercise of stock options and warrants	10	251
Redemption of nil coupon loan note	<u>(5)</u>	<u>-</u>
Net cash (used in) provided by financing activities	<u>(607)</u>	<u>319</u>
Effect of exchange rate fluctuations on cash	<u>(12)</u>	<u>74</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	2,930	(14,946)
Cash and cash equivalents at beginning of period	<u>20,965</u>	<u>28,149</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 23,895</u>	<u>\$ 13,203</u>

**FUEL TECH, INC.**  
**BUSINESS SEGMENT FINANCIAL DATA**  
(Unaudited)  
(in thousands)

Three months ended September 30, 2010	Air Pollution Control Segment	FUEL CHEM Segment	Other	Total
Revenues from external customers	\$10,252	\$10,027	\$ -	\$ 20,279
Cost of sales	6,735	4,761	-	11,496
Gross margin	3,517	5,266	-	8,783
Selling, general and administrative	-	-	7,808	7,808
(Gain) from revaluation of contingent performance obligation	-	-	(768)	(768)
Research and development	-	-	264	264
Operating income (loss)	\$ 3,517	\$ 5,266	\$ (7,304)	\$ 1,479

Three months ended September 30, 2009	Air Pollution Control Segment	FUEL CHEM Segment	Other	Total
Revenues from external customers	\$ 6,182	\$ 10,293	\$ -	\$ 16,475
Cost of sales	4,089	5,945	-	10,034
Gross margin	2,093	4,348	-	6,441
Selling, general and administrative	-	-	8,000	8,000
(Gain) from revaluation of contingent performance obligation	-	-	(781)	(781)
Research and development	-	-	160	160
Operating income (loss)	\$ 2,093	\$ 4,348	\$ (7,379)	\$ (938)

Nine months ended September 30, 2010	Air Pollution Control Segment	FUEL CHEM Segment	Other	Total
Revenues from external customers	\$ 27,757	\$ 29,041	\$ -	\$ 56,798
Cost of sales	18,039	14,024	-	32,063
Gross margin	9,718	15,017	-	24,735
Selling, general and administrative	-	-	23,306	23,306
(Gain) from revaluation of contingent performance obligation	-	-	(768)	(768)
Research and development	-	-	575	575
Operating income (loss)	\$ 9,718	\$ 15,017	\$ (23,113)	\$ 1,622

Nine months ended September 30, 2009	Air Pollution Control Segment	FUEL CHEM Segment	Other	Total
Revenues from external customers	\$ 24,179	\$ 28,535	\$ -	\$ 52,714
Cost of sales	15,096	16,690	-	31,786
Gross margin	9,083	11,845	-	20,928
Selling, general and administrative	-	-	25,130	25,130
(Gain) from revaluation of contingent performance obligation	-	-	(781)	(781)
Research and development	-	-	391	391
Operating income (loss)	\$ 9,083	\$ 11,845	\$ (24,740)	\$ (3,812)

*Note: Fuel Tech is an integrated company that segregates its financial results into two reportable segments, both providing advanced technology and engineering solutions for the optimization of combustion systems in utility and industrial applications. The "Other" classification includes those profit and loss items not allocated by Fuel Tech to each reportable segment.*

**FUEL TECH, INC.**  
**GEOGRAPHIC INFORMATION**  
(Unaudited)  
(in thousands)

	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
Revenues:				
United States	\$ 17,015	\$ 14,054	\$ 46,517	\$ 43,114
Foreign	3,264	2,421	10,281	9,600
	\$ 20,279	\$ 16,475	\$ 56,798	\$ 52,714
	September 30, 2010	December 31, 2009		
Assets:				
United States	\$88,425	\$ 82,261		
Foreign	11,301	10,001		
	\$ 99,726	\$ 92,262		