



CONTACT: John P. Graham
Chief Financial Officer
(630) 845-4500

FOR IMMEDIATE RELEASE

Tracy H. Krumme
Vice President, Investor Relations
(203) 425-9830

FUEL TECH REPORTS FOURTH-QUARTER AND FULL-YEAR RESULTS

WARRENVILLE, Ill., Mar. 5, 2009 – Fuel Tech, Inc. (NASDAQ: FTEK), a world leader in advanced engineering solutions for the optimization of combustion systems in utility and industrial applications, today reported results for the fourth quarter and year ended December 31, 2008.

Fourth-Quarter 2008

Revenues for the fourth quarter totaled \$18.1 million, a decline of 44% from the comparable prior-year period. The net loss for the quarter was \$0.6 million, or (\$0.02) per diluted share, compared with net income of \$5.2 million, or \$0.21 per diluted share, in the same year-ago quarter. The declines primarily reflect impaired results in the Air Pollution Control technology segment (APC segment) and higher FUEL CHEM[®] demonstration program costs, especially in India and China.

The APC segment generated revenues of \$8.7 million, down 65% versus the \$24.6 million recorded in the comparable year-earlier quarter. Year-to-year comparisons are heavily influenced by the timing of orders placed by customers to achieve compliance with the Clean Air Interstate Rule (CAIR). The rule, originally scheduled to go into effect January 1, 2009, generated a surge in order activity during 2007, which contributed to the Company's record-breaking fourth-quarter 2007 performance. However, a July 2008 decision by the U.S. District of Columbia Court of Appeals (the "Court") to vacate CAIR, coupled with unusually tight credit markets, resulted in a sharp curtailment of APC orders during the second half of 2008, contributing to reduced revenue levels during the fourth quarter. On December 23, 2008, the same Court agreed to reinstate CAIR, with the original January 1, 2009 effective date reinstated, provided that the EPA undertook the

--more--

process of revising the ruling to address the Court's primary concerns. Gross margins for the APC segment were 44% in the fourth quarter, compared with 51% a year ago, reflecting more lower margin installation-related work in our mix of project business.

Revenues for the FUEL CHEM technology segment (FUEL CHEM segment) totaled \$9.4 million, an increase of 19% from the comparable 2007 quarter, as results benefited from the impact of new customer accounts. Current-quarter revenues include \$7.8 million from coal-fired units, a 20% increase versus a year ago, and \$1.6 million from non-coal fired units, a 13% gain versus the year-earlier quarter, driven by the recent decline in the price of crude oil resulting in increased operation of fuel oil-fired units. Segment gross margins declined from 46% in the fourth quarter of 2007 to 37% in the current quarter, reflecting significant costs associated with demonstration programs at customer sites in India and China. Demonstration programs are designed to prove the effectiveness of TIFI™ Targeted In-Furnace Injection™ applications, with the Company and customer normally sharing in the program's expense, and typically transition into commercial contracts once the program's value has been demonstrated. Due to the market potential of TIFI applications in China and India, the Company has invested substantially more expense in these demonstration programs than is typical for demonstrations in the United States.

Selling, general and administrative expenses totaled \$6.8 million, unchanged from the fourth quarter of 2007. Research and development expenses were \$0.3 million, down from \$0.5 million in the comparable year-ago period, while net interest income declined to \$0.1 million from \$0.4 million in the prior-year quarter, reflecting significantly lower interest rates on outstanding cash and cash-equivalent balances.

Full-Year 2008

Revenues for 2008 totaled a record \$81.1 million, up slightly from the 2007 record level of \$80.3 million. Net income for 2008 was \$3.6 million, or \$0.15 per diluted share, compared with \$7.2 million, or \$0.29 per diluted share, in 2007. Despite a marginal revenue gain, net income declined for the year, due in part to the costs associated with a record number of FUEL CHEM demonstration programs, including those in India and China, as discussed above.

The APC segment generated annual revenues of \$44.4 million, down 7% from 2007. Revenues were very strong during the first nine months of 2008, as the Company worked through its sizable year-end 2007 backlog. However, due to the aforementioned vacatur of CAIR in July 2008 and the tightening of global credit markets, orders came to a virtual standstill during the

--more--

second half of the year, contributing to a reduction in year-over-year revenues. Segment gross margins of 45% were down slightly from the 46% reported for fiscal 2007.

Revenues for the FUEL CHEM segment totaled a record \$36.7 million, up 13% from the \$32.5 million reported in fiscal 2007. The improvement reflects the record number of demonstration programs awarded to Fuel Tech during 2008 and the conversion of demonstration programs to commercial status. Of total 2007 segment revenues, \$26.2 million was generated from coal-fired units while \$6.3 million was derived from non-coal fired units. Of the \$36.7 million in 2008 segment revenues, \$31.6 million was associated with coal-fired units, a 20% increase, while revenues from non-coal fired units declined 19% to \$5.1 million. The reduction in 2008 revenues from non-coal fired units reflects higher crude oil prices experienced during the first nine months of 2008, which kept many domestic oil-fired units from running in all but peak or other critical situations, and the Company's decision to withdraw from Venezuela in response to that government's nationalization efforts. Annual segment gross margins declined versus fiscal 2007, from 49% to 46%, reflecting the costs associated with the aforementioned demonstration programs.

Selling, general and administrative expenses were \$28.0 million in 2008, compared with \$25.0 million in 2007. The increase reflects continued investments in personnel and infrastructure, as the Company positions itself to satisfy global demand, combined with an increase in Statement of Financial Accounting Standards No. 123R stock compensation expenses of \$1.0 million. Research and development expenses were \$2.1 million, unchanged from 2007, while net interest income declined to \$0.6 million in 2008 from \$1.6 million in 2007, principally reflecting significantly lower interest rates on outstanding cash and cash-equivalent balances.

During 2008 the Company announced contract awards with a value of approximately \$21 million. After accounting for the conversion of backlog to revenues, the APC segment's capital projects backlog stood at \$9 million as of December 31, 2008, reflecting the impact of the aforementioned Court decisions regarding CAIR and the tightening of global credit markets on capital investments by electric utilities during the second half of 2008.

John F. Norris Jr., President and Chief Executive Officer, commented, "Though in line with our expectations, Fuel Tech's fourth-quarter results largely reflect the unfortunate delays in air pollution control orders arising from the vacatur of CAIR. With the Court's recent favorable ruling and with the technologies added by our recent acquisitions, we have begun to experience heightened

quotation and order activity, and assuming that capital markets begin to stabilize, we believe we are well on the way to rebuilding our domestic APC project pipeline.”

Mr. Norris continued, “Our FUEL CHEM segment experienced respectable revenue growth during the fourth quarter, particularly in light of the global economic slowdown, which caused certain of our customers to scale back chemical usage due to reduced electricity demand. Despite higher revenues, this segment did experience a reduction in operating income as the cost of conducting a record number of demonstration programs, especially costs associated with our initial demonstrations in India and China, weighed on the bottom line. We view the expenditures associated with these demonstration programs as vital to growing our customer base and increasing our long-term revenue stream. During the fourth quarter, we were awarded three demonstrations, including our second demonstration in China, bringing our full-year total to a record 15, including 13 on coal-fired boilers.”

Mr. Norris added, “Despite the regulatory uncertainty and challenging economic conditions of 2008, we made excellent progress in moving the Company forward by deploying our strong cash position to acquire a broad spectrum of strategic assets, which have already begun to transform Fuel Tech into one of the most experienced and accomplished air pollution control companies in the world. The management teams, technologies and know-how previously associated with Tackticks, LLC, FlowTack, LLC and Advanced Combustion Technology, Inc. have coalesced into a unified business structure with the common objective of creating a world-class solution provider, one that is capable of providing an extraordinary array of cost-effective pollution control technologies to Fuel Tech’s clients.”

Mr. Norris continued, “We are off to a solid start in the first few months of 2009, having announced one domestic FUEL CHEM demonstration program and \$6.4 million in global APC contracts, eclipsing the \$4.6 million in contracts announced during the last six months of 2008. The recently awarded FUEL CHEM demonstration is on one of the country’s largest coal-fired boilers and we believe a successful outcome could lead to other demonstrations in the client’s fleet. The APC orders reflect a highly diverse group of projects, including a HERT™ High Energy Reagent Technology™ order, our first NOx control contract in Canada, a NOx control initiative for municipal solid waste incinerators in France and our second order for a mini-SCR system.”

Mr. Norris concluded, “While we are reasonably encouraged about our business prospects for 2009, especially in the wake of the re-instatement of CAIR and the resulting strong start to our

2009 APC orders, we are mindful of the severe economic stress on many of our customers. We believe that both our revenues and profits in 2009 will exceed our 2008 results, but we think it is just too early in the year for us to more definitively quantify those estimates in a meaningful way. We will consider providing more definitive estimates on our future quarterly earnings conference calls.”

Conference Call

As a reminder, Fuel Tech will host a conference call today at 9:00 AM EDT to discuss the results. The call will simultaneously be broadcast over the Internet at www.ftek.com and can be accessed on the Home page under “Quick Links.” The call can also be accessed by dialing 866-203-2528 (domestic) or 617-213-8847 (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 “97772888.” The replay will be available until March 30, 2009.

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 NO_xOUT CASCADE[®], NO_xOUT ULTRA[®], Rich Reagent Injection (RRI) and NO_xOUT-SCR[®] processes. These technologies have established Fuel Tech as a leader in NO_x reduction, with installations on over 550 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 acid plume, as well as the formation of sulfur trioxide, ammonium bisulfate, particulate matter (PM_{2.5}), carbon dioxide and NO_x. This technology, in the form of a customizable FUEL CHEM program, is being applied to over 95 combustion units around the world burning a wide variety of fuels including coal, heavy oil,

biomass, and municipal waste. A breakdown of the nature of these customer units is posted on the Company's website.

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.

--more--

Tables to Follow

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

	2008	2007
December 31		
Assets		
Current assets:		
Cash and cash equivalents	\$ 28,149	\$ 30,473
Short-term investments	-	1,998
Accounts receivable, net of allowance for doubtful accounts of \$80 and \$150, respectively	23,365	31,856
Inventories	1,014	186
Deferred income taxes	767	1,589
Prepaid expenses and other current assets	4,718	1,761
Total current assets	58,013	67,863
Property and equipment, net of accumulated depreciation of \$12,588 and \$10,091, respectively	17,515	11,302
Goodwill	5,158	2,119
Other intangible assets, net of accumulated amortization of \$1,504 and \$1,320, respectively	2,543	1,088
Deferred income taxes	2,412	2,552
Other assets	3,232	2,290
Total assets	\$ 88,873	\$ 87,214
 Liabilities and Stockholders' Equity		
Current liabilities:		
Short-term debt	\$ 2,188	\$ 2,051
Accounts payable	8,196	13,632
Accrued liabilities:		
Employee compensation	510	2,304
Other accrued liabilities	2,773	4,733
Total current liabilities	13,667	22,720
Other liabilities	1,389	1,255
Total liabilities	15,056	23,975
Stockholders' equity:		
Common stock, \$.01 par value, 40,000,000 shares authorized, 24,110,967 and 22,410,064 shares issued, respectively	241	224
Additional paid-in capital	118,588	111,459
Accumulated deficit	(45,280)	(48,882)
Accumulated other comprehensive income	187	166
Nil coupon perpetual loan notes	81	272
Total stockholders' equity	73,817	63,239
Total liabilities and stockholders' equity	\$ 88,873	\$ 87,214

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2008	2007	2008	2007
Revenues	\$18,113	\$ 32,579	\$81,074	\$80,297
Costs and expenses:				
Cost of sales	10,824	16,413	44,345	42,471
Selling, general and administrative	6,831	6,825	28,012	24,950
Research and development	256	485	2,100	2,137
	<u>17,911</u>	<u>23,723</u>	<u>74,457</u>	<u>69,558</u>
Operating income	202	8,856	6,617	10,739
Interest expense	(42)	(24)	(135)	(24)
Interest income	131	381	741	1,634
Other (expense) income	(72)	102	(226)	81
Income before taxes	<u>219</u>	<u>9,315</u>	<u>6,997</u>	<u>12,430</u>
Income tax expense	<u>(799)</u>	<u>(4,073)</u>	<u>(3,395)</u>	<u>(5,187)</u>
Net income (loss)	<u>\$ (580)</u>	<u>\$ 5,242</u>	<u>\$ 3,602</u>	<u>\$ 7,243</u>
Net income (loss) per Common Share:				
Basic	<u>\$ (0.02)</u>	<u>\$ 0.23</u>	<u>\$ 0.15</u>	<u>\$ 0.33</u>
Diluted	<u>\$ (0.02)</u>	<u>\$ 0.21</u>	<u>\$ 0.15</u>	<u>\$ 0.29</u>
Weighted-average number of Common Shares outstanding:				
Basic	<u>24,082,000</u>	<u>22,403,000</u>	<u>23,608,000</u>	<u>22,280,000</u>
Diluted	<u>24,477,000</u>	<u>24,730,000</u>	<u>24,590,000</u>	<u>24,720,000</u>

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

	Twelve Months Ended December 31,	
	2008	2007
Operating Activities		
Net income	\$ 3,602	\$ 7,243
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,810	2,353
Amortization	184	115
Effect of FIN 48 adoption	-	(81)
Loss on equipment disposals/impaired assets	35	18
Deferred income tax	962	1,716
Stock compensation expense	5,815	4,791
Changes in operating assets and liabilities:		
Accounts receivable	8,491	(15,132)
Inventories	(828)	17
Prepaid expenses, other current assets and other noncurrent assets	(3,899)	(906)
Accounts payable	(5,436)	6,000
Accrued liabilities and other noncurrent liabilities	(3,720)	(2,081)
Other	31	46
Net cash provided by operating activities	<u>8,047</u>	<u>4,099</u>
Investing Activities		
Proceeds from sales of short-term investments	1,998	6,002
Purchases of property, equipment and patents	(9,839)	(9,715)
Acquisition of businesses	(3,928)	-
Net cash used in investing activities	<u>(11,769)</u>	<u>(3,713)</u>
Financing Activities		
Proceeds from short-term borrowings	137	2,051
Issuance of deferred shares	73	1,150
Proceeds from exercise of stock options and warrants	619	912
Excess tax benefit for stock-based compensation	548	1,482
Net cash provided by financing activities	<u>1,377</u>	<u>5,595</u>
Effect of exchange rate fluctuations on cash	<u>21</u>	<u>87</u>
Net increase (decrease) in cash and cash equivalents	(2,324)	6,068
Cash and cash equivalents at beginning of year	<u>30,473</u>	<u>24,405</u>
Cash and cash equivalents at end of year	<u>\$ 28,149</u>	<u>\$ 30,473</u>

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

Three months ended December 31, 2008	Air Pollution Control Segment	FUEL CHEM® Segment	Other	Total
Revenues from external customers	\$ 8,680	\$ 9,433	\$ -	\$ 18,113
Cost of sales	<u>4,858</u>	<u>5,966</u>	-	<u>10,824</u>
Gross margin	3,822	3,467	-	7,289
Selling, general and administrative	-	-	6,831	6,831
Research and development	-	-	<u>256</u>	<u>256</u>
Operating income (loss)	\$ 3,822	\$ 3,467	\$ (7,087)	\$ 202

Three months ended December 31, 2007	Air Pollution Control Segment	FUEL CHEM Segment	Other	Total
Revenues from external customers	\$ 24,625	\$ 7,954	\$ -	\$ 32,579
Cost of sales	<u>12,097</u>	<u>4,315</u>	<u>1</u>	<u>16,413</u>
Gross margin	12,528	3,639	(1)	16,166
Selling, general and administrative	-	-	6,825	6,825
Research and development	-	-	<u>485</u>	<u>485</u>
Operating income (loss)	\$ 12,528	\$ 3,639	\$ (7,311)	\$ 8,856

For the year ended December 31, 2008	Air Pollution Control Segment	FUEL CHEM Segment	Other	Total
Revenues from external customers	\$ 44,393	\$ 36,681	\$ -	\$ 81,074
Cost of sales	<u>24,365</u>	<u>19,979</u>	<u>1</u>	<u>44,345</u>
Gross margin	20,028	16,702	(1)	36,729
Selling, general and administrative	-	-	28,012	28,012
Research and development	-	-	<u>2,100</u>	<u>2,100</u>
Operating income (loss)	\$ 20,028	\$ 16,702	\$ (30,113)	\$ 6,617

For the year ended December 31, 2007	Air Pollution Control Segment	FUEL CHEM Segment	Other	Total
Revenues from external customers	\$ 47,750	\$ 32,547	\$ -	\$ 80,297
Cost of sales	<u>25,775</u>	<u>16,619</u>	<u>77</u>	<u>42,471</u>
Gross margin	21,975	15,928	(77)	37,826
Selling, general and administrative	-	-	24,950	24,950
Research and development	-	-	<u>2,137</u>	<u>2,137</u>
Operating income (loss)	\$ 21,975	\$ 15,928	\$ (27,164)	\$ 10,739

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
(in thousands)

	<u>Three months ended December 31,</u>		<u>Twelve months ended December 31,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues:				
United States	\$13,588	\$30,036	\$68,433	\$67,534
Foreign	4,525	2,543	12,641	12,763
	<u>\$18,113</u>	<u>\$32,579</u>	<u>\$81,074</u>	<u>\$80,297</u>

FUEL CHEM[®] CUSTOMER UNITS STATUS AS OF MARCH 5, 2009

	Status		
<u>Coal-Burning Units</u>			
	<u>Available U.S. Units</u>	<u>Commercial</u>	<u>Demonstration⁽²⁾</u>
<u>Domestic</u>			
Large (≥ 500 MW)	266	12	3
Medium (≥ 100, < 500MW)	545	7	5
Small (< 100 MW)	701	7	1
Totals	1,512	26	9
<u>International</u>			
Large (≥ 500 MW)		0	2
Medium (≥ 100, < 500MW)		2	1
Small (< 100 MW)		0	1
Totals		2	4
Total Coal-Burning Units		28	13
<u>Non-Coal-Burning Units</u>			
Domestic		23	
International		32	
Total Non-Coal-Burning Units⁽¹⁾		55	0
96 Total Customer Units		83	13

(1) Total 2008 annual revenue for non-coal-burning units was approximately \$5 million

(2) Demonstrations are designed to prove the FUEL CHEM technology on customer units prior to transitioning into commercial status.

