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**FOR IMMEDIATE RELEASE**

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**FUEL TECH REPORTS SECOND-QUARTER 2009 RESULTS**

**WARRENVILLE, Ill., Aug. 10, 2009** – 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 six-month periods ended June 30, 2009.

**Second-Quarter 2009**

Revenues for the second quarter totaled \$18.9 million, up 1% from the comparable prior-year quarter. The net loss for the quarter was \$0.3 million, or (\$0.01) per diluted share, compared with net income of \$0.4 million, or \$0.02 per diluted share, in the same year-ago quarter.

Included in current-quarter results was a one-time employee expense of \$0.55 million related to the reduction in workforce undertaken in May 2009. Excluding the effect of this item, quarterly earnings would have been slightly positive.

The Air Pollution Control technology segment (APC segment) generated revenues of \$9.2 million, a decrease of 12% versus the second quarter of 2008. This segment continues to feel the effects of deferred capital investment by electric utilities and other industrial customers as the combination of an economic slowdown, reduced electricity demand, shortfalls in cash generation by power providers and ongoing uncertainty over the ultimate outcome of the Clean Air Interstate Rule (CAIR) served to depress outlays for NOx control systems. Segment gross margins were 49% versus the 46% reported in the second quarter of 2008. Contributing to the increase was a

partial reversal of the first-quarter 2009 contingent loss provision on an APC contract, which has now been resolved.

Revenues for the FUEL CHEM<sup>®</sup> technology segment (FUEL CHEM segment) totaled \$9.7 million, up 17% from the comparable 2008 quarter. Results benefitted from the start-up of new FUEL CHEM programs at several customer sites, although overall gains were limited by the impact of the U.S. economic recession as reduced electricity demand, particularly in regions dependent on coal-fired electricity generation, prompted certain clients to scale back or temporarily turn off chemical injection on units utilizing FUEL CHEM programs. Current-quarter revenues include \$8.8 million from coal-fired units, a 20% increase versus a year ago, and \$0.9 million from non-coal fired units, down 7% from the comparable prior-year quarter. Segment gross margins declined from 50% in the second quarter of 2008 to 42% in the current quarter, due, in part, to the dilutive impact of multiple demonstration programs for which risk-share revenue has yet to be recognized. Demonstrations are designed to prove the effectiveness of TIFI Targeted In-Furnace Injection<sup>™</sup> applications, with the Company and customer normally sharing in the program's expense. Once the program's value has been established, the demonstration typically transitions into a commercial contract.

Selling, general and administrative (SG&A) expenses totaled \$8.9 million in the current quarter, versus \$7.4 million in the same year-ago period. The \$1.5 million increase is attributable to net incremental SG&A of \$1.1 million associated with the acquisitions of substantially all of the assets of Tackticks, LLC, FlowTack, LLC and Advanced Combustion Technology, Inc., including the amortization of identifiable intangible assets of \$0.4 million, and a one-time employee expense of \$0.55 million related to the reduction in workforce in May.

Research and development expenses were \$0.1 million, compared with \$0.9 million in the second quarter of 2008 as near-term R&D expenditures were reduced in light of the economic slowdown. Net interest expense was negligible during the current quarter versus net interest income of \$0.2 million in the year-earlier period, reflecting the reduction in cash and cash equivalents to fund the aforementioned acquisitions.

#### Year-to-Date 2009

Revenues for the first six months were \$36.2 million, a decline of 8% from the comparable year-earlier period. The net loss for the six months totaled \$1.8 million, or (\$0.08) per diluted

share, compared with net income of \$2.1 million, or \$0.08 per diluted share, in the same year-ago period.

The APC technology segment recorded revenues of \$18.0 million, a 19% decline versus the comparable prior-year period. As indicated for the second quarter, revenues for the first six months were likewise affected by curtailments in APC investments by power generators due to the ramifications of the economic recession and uncertainty surrounding prospective revisions to CAIR. Segment gross margins stood at 39% versus 47% reported for the first half of 2008. The decline was due to a less favorable product mix, including the effect of a large pass-through product sale at a nominal mark-up.

Revenues for the FUEL CHEM segment totaled \$18.2 million, a 7% increase from the \$17.1 million recognized in the comparable prior-year period. Of the \$17.1 million in total first-half 2008 segment revenues, \$14.9 million was generated from coal-fired units while \$2.2 million was derived from non-coal fired units. Of the \$18.2 million in first-half 2009 segment revenues, \$16.2 million was associated with coal-fired units (an increase of 9% versus the comparable prior-year period) while revenues from non-coal fired units declined 7% to \$2.0 million. Segment gross margins declined from 49% during the first half of 2008 to 41% during the comparable 2009 period due primarily to the aforementioned dilutive effect of the demonstration programs.

Through the first six months of 2009, the Company announced contract awards with a value of \$15.6 million. After accounting for the conversion of backlog to revenues during this period, the APC segment capital projects backlog stood at \$13.6 million as of June 30, 2009.

John F. Norris Jr., President and Chief Executive Officer, commented, "On the APC front, we remain encouraged by the level of quotation activity in the United States and abroad, particularly in China. The timing of these awards, both in terms of order receipt and timing of project work schedules, will be a determining factor in the achievement of our full-year operating results. Domestically, a number of prospective customers are faced with local NOx control requirements and consent decrees and, consequently, can no longer delay taking meaningful steps toward project initiation. Certain of these undertakings will require significant financial resources, and in a capital constrained environment, we believe our flexible suite of technologies, which enables a layered approach to NOx control, will be a preferred solution."

Mr. Norris noted, "With respect to CAIR, numerous utilities have adopted a wait-and-see approach on committing capital until there is greater certainty as to the ultimate evolution of these

rules. Fuel Tech is assessing the implications of different possible outcomes, but we believe that new legislation or new rules will be promulgated early in 2010 and are likely to be more restrictive in nature, both as to the establishment of overall levels of permitted NOx emissions and the development of so-called “point source” requirements, where individual units must meet specified targets. Regardless of the specifics of the revised rules, Fuel Tech is well-positioned to provide custom solutions via our full suite of NOx control technology solutions.”

Mr. Norris added, “We are especially excited about new prospects in China following our recent hosting of a workshop on energy efficiency improvements and NOx control technologies on fossil-fueled power plants. Attended by some 260 individuals related to the power generation industry, this workshop was held in Guangzhou, the capital city of Guangdong Province, where the Asian Games are scheduled to commence in November 2010. New environmental regulations have been issued by the Province in preparation for the Games, calling for the installation of systems to reduce NOx by as much as 80% for large coal-fired units by September 30, 2010, with incentives provided for earlier compliance.”

Mr. Norris continued, “Despite the recent significant decline in U.S. power generation, this is the strongest second quarter in terms of revenues ever recorded for our FUEL CHEM business. Barring further deterioration in the economy, we would expect this momentum to continue as additional units commence chemical injection and new orders and demonstrations are secured. In fact, since our last earnings release, we’ve announced nine new FUEL CHEM initiatives, with some scheduled to begin TIFI™ Targeted In-Furnace Injection™ programs as soon as next month. These initiatives are truly global in nature, with programs to be undertaken in the United States, Mexico, China, and for the first time, the Republic of Korea. Equally important, seven of these programs are designated as commercial with no need for a demonstration.”

Mr. Norris stated, “We have also taken measures to rightsize our organization in response to this challenging operating environment. In particular, we have eliminated over 20 full-time domestic positions since January 2009, and when combined with other initiatives, have reduced our annualized cost structure by over \$2.5 million. Although this was a difficult step to take, it was deemed necessary, but will not hamper our ability to satisfy customer requirements going forward.”

Mr. Norris concluded, “At this time, our visibility with respect to the timing of potential awards in the APC segment is too uncertain to provide any revisions to our earlier qualitative guidance.”

**Conference Call**

*As a reminder, Fuel Tech will host a conference call on August 11<sup>th</sup> at 9:00 AM ET 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 "Quick Links." The call can also be accessed by dialing 866-700-6979 (domestic) or 617-213-8836 (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 "43221372." The replay will be available until September 2, 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<sub>x</sub>) reduction technologies include advanced combustion modification techniques - such as low NO<sub>x</sub> burners and overfire 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 NO<sub>x</sub>OUT CASCADE<sup>®</sup>, ULTRA<sup>™</sup>, Rich Reagent Injection (RRI) 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 550 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 acid plume, as well as the formation of 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 being applied to over 90 combustion units 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](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)

	<u>June 30, 2009</u>	<u>December 31, 2008</u>
	(Unaudited)	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 6,652	\$ 28,149
Restricted cash	5,525	-
Accounts receivable, net of allowance for doubtful accounts of \$79 and \$80, respectively	21,418	23,365
Inventories	330	1,014
Deferred income taxes	815	767
Prepaid expenses and other current assets	4,337	4,718
Total current assets	<u>39,077</u>	<u>58,013</u>
Equipment, net of accumulated depreciation of \$13,599 and \$12,588, respectively	17,083	17,515
Goodwill	21,365	5,158
Other intangible assets, net of accumulated amortization of \$2,367 and \$1,504, respectively	7,149	2,543
Deferred income taxes	3,521	2,412
Other assets	2,793	3,232
Total assets	<u>\$ 90,988</u>	<u>\$ 88,873</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Short-term debt	\$ 2,191	\$ 2,188
Accounts payable	4,816	8,196
Accrued liabilities	5,681	3,283
Total current liabilities	<u>12,688</u>	<u>13,667</u>
Other liabilities	2,927	1,389
Total liabilities	<u>15,615</u>	<u>15,056</u>
Stockholders' equity:		
Common stock, \$.01 par value, 40,000,000 shares authorized, 24,133,967 and 24,110,967 shares issued, Respectively	241	241
Additional paid-in capital	121,949	118,588
Accumulated deficit	(47,120)	(45,280)
Accumulated other comprehensive income	222	187
Nil coupon perpetual loan notes	81	81
Total stockholders' equity	<u>75,373</u>	<u>73,817</u>
Total liabilities and stockholders' equity	<u>\$ 90,988</u>	<u>\$ 88,873</u>

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

	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
<b>Revenues</b>	\$ 18,922	\$ 18,791	\$ 36,239	\$ 39,258
<b>Costs and expenses:</b>				
Cost of sales	10,378	9,833	21,752	20,502
Selling, general and administrative	8,876	7,413	17,130	14,392
Research and development	77	909	231	1,464
	<u>19,331</u>	<u>18,155</u>	<u>39,113</u>	<u>36,358</u>
<b>Operating (loss) income</b>	(409)	636	(2,874)	2,900
Interest expense	(26)	(16)	(56)	(62)
Interest income	7	189	23	465
Other (expense) income	(38)	(52)	(162)	84
<b>(Loss) income before taxes</b>	<u>(466)</u>	<u>757</u>	<u>(3,069)</u>	<u>3,387</u>
Income tax benefit (expense)	188	(310)	1,229	(1,307)
<b>Net (loss) income</b>	<u>\$ (278)</u>	<u>\$ 447</u>	<u>\$ (1,840)</u>	<u>\$ 2,080</u>
<b>Net (loss) income per Common Share:</b>				
Basic	<u>\$ (0.01)</u>	<u>\$ 0.02</u>	<u>\$ (0.08)</u>	<u>\$ 0.09</u>
Diluted	<u>\$ (0.01)</u>	<u>\$ 0.02</u>	<u>\$ (0.08)</u>	<u>\$ 0.08</u>

**Weighted-average number of Common Shares**

**Outstanding:**

Basic	<u>24,126,000</u>	<u>23,951,000</u>	<u>24,119,000</u>	<u>23,180,000</u>
Diluted	<u>24,126,000</u>	<u>24,698,000</u>	<u>24,119,000</u>	<u>24,580,000</u>

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

	Six Months Ended June 30	
	<u>2009</u>	<u>2008</u>
<b>Operating activities</b>		
Net cash provided by operating activities	<u>\$ 4,691</u>	<u>\$ 3,307</u>
<b>Investing activities</b>		
Acquisition of business	(19,328)	-
Increase in restricted cash	(5,525)	-
Sales of short-term investments	-	1,998
Purchases of property, equipment and intangible assets	(1,540)	(7,819)
Net cash used in investing activities	<u>(26,393)</u>	<u>(5,821)</u>
<b>Financing activities</b>		
Proceeds from short-term borrowings	3	132
Issuance of deferred shares	43	36
Proceeds from exercise of stock options and warrants	124	331
Excess tax benefit for stock-based compensation	-	392
Net cash provided by financing activities	<u>170</u>	<u>891</u>
Effect of exchange rate fluctuations on cash	<u>35</u>	<u>109</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(21,497)</b>	<b>(1,514)</b>
Cash and cash equivalents at beginning of period	<u>28,149</u>	<u>30,473</u>
<b>Cash and cash equivalents at end of period</b>	<u><u>\$ 6,652</u></u>	<u><u>\$ 28,959</u></u>

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

Three months ended June 30, 2009	Air Pollution Control Segment	FUEL CHEM® Segment	Other	Total
Revenues from external customers	\$ 9,177	\$ 9,745	\$ -	\$ 18,922
Cost of sales	4,688	5,690	-	10,378
Gross margin	4,489	4,055	-	8,544
Selling, general and administrative	-	-	8,876	8,876
Research and development	-	-	77	77
Operating income (loss)	\$ 4,489	\$ 4,055	\$ (8,953)	\$ (409)

Three months ended June 30, 2008	Air Pollution Control Segment	FUEL CHEM Segment	Other	Total
Revenues from external customers	\$ 10,477	\$ 8,314	\$ -	\$ 18,791
Cost of sales	5,658	4,174	1	9,833
Gross margin	4,819	4,140	(1)	8,958
Selling, general and administrative	-	-	7,413	7,413
Research and development	-	-	909	909
Operating income (loss)	\$ 4,819	\$ 4,140	\$ (8,323)	\$ 636

Six months ended June 30, 2009	Air Pollution Control Segment	FUEL CHEM Segment	Other	Total
Revenues from external customers	\$ 17,997	\$ 18,242	\$ -	\$ 36,239
Cost of sales	11,007	10,745	-	21,752
Gross margin	6,990	7,497	-	14,487
Selling, general and administrative	-	-	17,130	17,130
Research and development	-	-	231	231
Operating income (loss)	\$ 6,990	\$ 7,497	\$ (17,361)	\$ (2,874)

Six months ended June 30, 2008	Air Pollution Control Segment	FUEL CHEM Segment	Other	Total
Revenues from external customers	\$ 22,146	\$ 17,112	\$ -	\$ 39,258
Cost of sales	11,803	8,698	1	20,502
Gross margin	10,343	8,414	(1)	18,756
Selling, general and administrative	-	-	14,392	14,392
Research and development	-	-	1,464	1,464
Operating income (loss)	\$ 10,343	\$ 8,414	\$ (15,857)	\$ 2,900

*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)

	<u>Three months ended June 30</u>		<u>Six months ended June 30</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenues:				
United States	\$ 14,722	\$ 16,442	\$ 29,060	\$ 35,526
Foreign	4,200	2,349	7,179	3,732
	<u>\$ 18,922</u>	<u>\$ 18,791</u>	<u>\$ 36,239</u>	<u>\$ 39,258</u>

## FUEL CHEM<sup>®</sup> CUSTOMER UNITS

### STATUS AS OF AUGUST 11, 2009

		<b>Status</b>			
<b><u>Coal-Burning Units</u></b>					
		<b><u>Available U.S. Units</u></b>	<b><u>Commercial</u></b>	<b><u>Demonstration<sup>(2)</sup></u></b>	
<b><u>Domestic</u></b>					
Large (≥ 500 MW) .....	266	.....	11	.....	3
Medium (≥ 100, < 500MW).....	545	.....	8	.....	2
Small (< 100 MW) .....	<u>701</u>	.....	<u>6</u>	.....	<u>1</u>
Totals.....	1,512	.....	25	.....	6
<b><u>International</u></b>					
Large (≥ 500 MW) .....		.....	0	.....	2
Medium (≥ 100, < 500MW).....		.....	2	.....	2
Small (< 100 MW) .....		.....	<u>0</u>	.....	<u>1</u>
Totals.....		.....	2	.....	5
<b>Total Coal-Burning Units .....</b>			<b>27</b>	.....	<b>11</b>
<b><u>Non-Coal-Burning Units</u></b>					
Domestic .....		.....	24	.....	
International .....		.....	<u>32</u>	.....	
<b>Total Non-Coal-Burning Units<sup>(1)</sup> .....</b>			<b><u>56</u></b>	.....	<b><u>0</u></b>
<b><span style="border: 1px solid black; padding: 2px;">94</span> Total Customer Units .....</b>			<b><span style="border: 1px solid black; padding: 2px;">83</span></b>	.....	<b><span style="border: 1px solid black; padding: 2px;">11</span></b>

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