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**FOR IMMEDIATE RELEASE**

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**FUEL TECH REPORTS THIRD-QUARTER RESULTS;  
NET INCOME DOUBLES ON 57% REVENUE GAIN**

**BATAVIA, Ill., Nov. 7, 2006** – 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 quarter and nine-month period ended September 30, 2006.

Net sales for the third quarter increased 57% to a record \$20.2 million, up \$7.4 million from the comparable prior-year quarter. Net income totaled \$2.1 million, or \$0.09 per diluted share, compared with \$1.0 million, or \$0.05 per diluted share, in the same year-ago quarter.

Net sales for the nine months rose 56% to \$57.1 million, up \$20.4 million from the comparable year-earlier period. Pre-tax income totaled \$9.4 million, a gain of 97% versus the \$4.8 million recorded in the comparable 2005 period. Net income for the nine months totaled \$5.4 million, up slightly from the \$5.0 million posted a year ago, while net income per diluted share was \$0.22, unchanged from the year-earlier period, when there were fewer shares outstanding.

Results for the third quarter and first nine months of 2006 reflect \$1.6 million and \$4.1 million in income tax expense, respectively, virtually all of which is non-cash. Net income for the first nine months of 2005 was favorably affected by the recording of a one-time \$2.2 million non-cash tax benefit related to the anticipated utilization of net operating loss carryforwards.

The increases in net sales for the quarter and nine-month period reflect strong gains in the Company's two technology segments. The air pollution control (APC) technology segment benefited from a step-up in revenues associated with two nitrogen oxide control projects to be installed in the People's Republic of China and from ongoing progress in completing orders for a

variety of domestic utility and industrial customers. Quarterly and nine-month sales for the fuel treatment chemicals technology segment also advanced strongly as new customer accounts began to ramp-up at major coal-fired electric utility plants in the Midwest and Southeastern U.S. Partially offsetting these gains was the adverse effect of high crude oil prices, which continues to depress the use of fuel treatment programs at selected oil-fired generating units.

Company-wide gross margins averaged 50% during the third quarter of 2006, unchanged from the prior-year level. Margins for the fuel treatment chemicals segment increased from 49% a year ago to 58% in the current quarter, in part reflecting the timing of revenue recognition on cost-share demonstrations. Margins for the APC segment declined from 51% a year ago to 44% in the current quarter due to shifting project mix.

Selling, general and administrative expenses rose \$2.0 million, or 48%, and \$5.6 million, or 47%, in the third quarter and first nine months of 2006, respectively. These increases reflect several factors, including greater revenue-related expenses; increased staffing levels and associated costs to support customer requirements; utilization of outside services to assist in the Company's domestication to a U.S. corporation; and the recording of stock-based compensation expense, reflecting the January 1, 2006 adoption of Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment." Stock compensation expense totaled \$287,000 in the third quarter and \$1,353,000 for the first nine months.

"This has been another superlative quarter for our Company," commented John F. Norris Jr., President and Chief Executive Officer. "We again achieved record revenues, doing so for a fifth consecutive reporting period. Moreover, our year-to-date revenues and pre-tax income has already surpassed results for all of 2005, our previous best full year. We continue to be extremely active in quoting new business in the United States and abroad and are benefiting particularly from the commencement of new slag and SO<sub>3</sub> control programs amongst our growing customer base. Organizationally, we are pleased to have officially become a U.S. company on September 30 and believe this will further broaden our appeal to the investment community."

Mr. Norris concluded, "Based on the current outlook for the balance of the year, we are again raising our revenue guidance for 2006, from \$68 - \$72 million to \$70 - \$74 million."

**Conference Call**

As a reminder, Fuel Tech will host a conference call today at 9:00 AM ET to discuss the results. The call will simultaneously be broadcast over the Internet at [www.fueltechnv.com](http://www.fueltechnv.com) and can be accessed on the Home page under “Quick Links”. The call can also be accessed by dialing 866.700.6067 (domestic) or 617.213.8834 (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 “12295117”. The replay will be available until November 28, 2006.

**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 the NO<sub>x</sub>OUT<sup>®</sup>, NO<sub>x</sub>OUT CASCADE<sup>®</sup>, NO<sub>x</sub>OUT 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 post-combustion NO<sub>x</sub> control systems, with installations on over 400 units worldwide, where coal, 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 and reliability of combustion units by controlling slagging, fouling, corrosion and opacity. This technology, in the form of a customizable FUEL CHEM program, is being applied to over 80 combustion units burning a wide variety of fuels including coal, heavy oil, biomass, and municipal waste.

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.fueltechnv.com](http://www.fueltechnv.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 of U.S. dollars, except share and per-share data)

	September 30, 2006	December 31, 2005
	(Unaudited)	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 15,709	\$ 10,375
Short-term investments	10,000	6,000
Accounts receivable, net of allowances for doubtful accounts of \$150 and \$150, respectively	17,142	12,184
Inventories	159	358
Deferred income taxes	2,799	3,043
Prepaid expenses and other current assets	1,051	1,072
Total current assets	46,860	33,032
Equipment, net of accumulated depreciation of \$9,341 and \$7,900, respectively	4,261	4,045
Goodwill	2,119	2,119
Other intangible assets, net of accumulated amortization of \$1,177 and \$1,087, respectively	1,176	1,224
Deferred income taxes	2,220	1,579
Other assets	1,111	1,027
Total assets	\$ 57,747	\$ 43,026
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 7,979	\$ 6,493
Accrued liabilities	5,822	6,949
Total current liabilities	13,801	13,442
Other liabilities	483	448
Total liabilities	14,284	13,890
Shareholders' equity:		
Common stock, \$.01 par value, 40,000,000 shares authorized, 21,745,438 and 20,424,133 shares issued, respectively	217	204
Additional paid-in capital	100,426	91,559
Accumulated deficit	(57,502)	(62,870)
Accumulated other comprehensive loss	45	(39)
Nil coupon perpetual loan notes	277	282
Total shareholders' equity	43,463	29,136
Total liabilities and shareholders' equity	\$ 57,747	\$ 43,026

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2006	2005	2006	2005
<b>Net sales</b>	\$ 20,173	\$ 12,821	\$ 57,053	\$ 36,652
<b>Costs and expenses:</b>				
Cost of sales	10,042	6,467	29,210	18,917
Selling, general and administrative	6,106	4,121	17,569	11,930
Research and development	617	253	1,467	913
	<u>16,765</u>	<u>10,841</u>	<u>48,246</u>	<u>31,760</u>
<b>Operating income</b>	3,408	1,980	8,807	4,892
Other income (expense), net	254	(18)	632	(110)
Income before taxes	3,662	1,962	9,439	4,782
Income tax (expense) benefit	(1,602)	(914)	(4,071)	191
<b>Net income</b>	<u>\$ 2,060</u>	<u>\$ 1,048</u>	<u>\$ 5,368</u>	<u>\$ 4,973</u>
<b>Net income per Common Share:</b>				
Basic	<u>\$ 0.09</u>	<u>\$ 0.05</u>	<u>\$ 0.25</u>	<u>\$ 0.25</u>
Diluted	<u>\$ 0.09</u>	<u>\$ 0.05</u>	<u>\$ 0.22</u>	<u>\$ 0.22</u>
<b>Weighted-average number of Common Shares outstanding:</b>				
Basic	<u>21,721,000</u>	<u>20,139,000</u>	<u>21,348,000</u>	<u>19,938,000</u>
Diluted	<u>24,123,000</u>	<u>23,143,000</u>	<u>24,045,000</u>	<u>22,840,000</u>

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

	Nine Months Ended September 30	
	2006	2005
<b>Operating activities</b>		
Net cash provided by operating activities	\$ 3,426	\$ 6,587
<b>Investing activities</b>		
Purchases of short-term investments	(4,000)	(3,500)
Purchases of equipment and patents	(1,699)	(1,884)
Net cash used in investing activities	(5,699)	(5,384)
<b>Financing activities</b>		
Exercise of stock options	3,058	639
Income tax benefit from exercise of stock options	4,465	-
Net cash provided by financing activities	7,523	639
Effect of exchange rate fluctuations on cash	84	(112)
<b>Net increase in cash and cash equivalents</b>	5,334	1,730
Cash and cash equivalents at beginning of period	10,375	4,031
<b>Cash and cash equivalents at end of period</b>	\$15,709	\$ 5,761

**FUEL TECH, INC.**  
**BUSINESS SEGMENT FINANCIAL DATA**  
(Unaudited)  
(in thousands of U.S. dollars)

Three months ended September 30, 2006	Nitrogen Oxide Reduction	Fuel Treatment Chemical	Other	Total
Net sales from external customers	\$ 11,197	\$ 8,976	\$ -	\$ 20,173
Cost of sales	6,270	3,730	42	10,042
Gross margin	4,927	5,246	(42)	10,131
Selling, general and administrative	-	-	6,106	6,106
Research and development	-	-	617	617
Operating income (loss)	\$ 4,927	\$ 5,246	\$ (6,765)	\$ 3,408

Three months ended September 30, 2005	Nitrogen Oxide Reduction	Fuel Treatment Chemical	Other	Total
Net sales from external customers	\$ 6,683	\$ 6,138	\$ -	\$ 12,821
Cost of sales	3,304	3,113	50	6,467
Gross margin	3,379	3,025	(50)	6,354
Selling, general and administrative	-	-	4,121	4,121
Research and development	-	-	253	253
Operating income (loss)	\$ 3,379	\$ 3,025	\$ (4,424)	\$ 1,980

Nine months ended September 30, 2006	Nitrogen Oxide Reduction	Fuel Treatment Chemical	Other	Total
Net sales from external customers	\$ 36,717	\$ 20,336	\$ -	\$ 57,053
Cost of sales	20,418	8,658	134	29,210
Gross margin	16,299	11,678	(134)	27,843
Selling, general and administrative	-	-	17,569	17,569
Research and development	-	-	1,467	1,467
Operating income (loss)	\$ 16,299	\$11,678	\$(19,170)	\$ 8,807

Nine months ended September 30, 2005	Nitrogen Oxide Reduction	Fuel Treatment Chemical	Other	Total
Net sales from external customers	\$ 23,003	\$ 13,644	\$ 5	\$ 36,652
Cost of sales	11,620	7,069	228	18,917
Gross margin	11,383	6,575	(223)	17,735
Selling, general and administrative	-	-	11,930	11,930
Research and development	-	-	913	913
Operating income (loss)	\$ 11,383	\$ 6,575	\$(13,066)	\$ 4,892

*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 of U.S. dollars)

	<u>Three months ended September 30</u>		<u>Nine months ended September 30</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Net sales:				
United States	\$ 15,396	\$ 10,837	\$ 41,595	\$ 30,552
Foreign	4,777	1,984	15,458	6,100
	<u>\$ 20,173</u>	<u>\$ 12,821</u>	<u>\$ 57,053</u>	<u>\$ 36,652</u>