



CONTACT: Vincent J. Arnone  
Chief Financial Officer  
(630) 845-4500

**FOR IMMEDIATE RELEASE**

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

**FUEL TECH REPORTS RECORD 2006 RESULTS**

***--Revenues up 42% and Pre-Tax Income up 64% versus 2005--***

**BATAVIA, Ill., Mar. 6, 2007** – Fuel Tech, Inc. (Nasdaq: FTEK), a world leader in advanced engineering solutions for the optimization of combustion systems for utility and industrial customers, today reported results for the fourth quarter and year ended December 31, 2006.

For the quarter, revenues were \$18.1 million, up 11% from \$16.3 million in the fourth quarter of 2005. Net income for the quarter was \$1.5 million, or \$0.06 per diluted share, versus \$2.6 million, or \$0.11 per diluted share, in the comparable prior-year period.

Revenues for the year were a record high \$75.1 million, up 42% from \$52.9 million in 2005. Net income for the year was \$6.8 million, or \$0.28 per diluted share, compared with \$7.6 million, or \$0.33 per diluted share, in 2005.

Results for the fourth quarter and full-year 2006 reflect \$0.9 million and \$4.9 million in income tax expense, respectively, virtually all of which is non-cash. Results for the fourth quarter and full-year 2005 reflect \$0.2 million and \$0.4 million of income tax benefit, respectively. These benefits predominantly represent the recording of non-cash tax benefits related to the anticipated utilization of deferred tax assets. Full-year 2006 pre-tax income totaled \$11.8 million, up 64% versus \$7.2 million in 2005.

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The increase in revenues for 2006 reflects strong gains in both of the Company's technology segments. The air pollution control (APC) technology segment recorded a 42% increase, attributable to a full year of revenues from two nitrogen oxide (NOx) control projects in the People's Republic of China (PRC), coupled with revenues from numerous NOx control installations in the United States. Revenues for the fuel treatment chemical technology segment advanced 41%, reflecting a steady build-up of new customer accounts at major coal-fired electric utility plants in several regions of the United States. Revenues from coal-fired power plants in this segment were up 165% over 2005. Partially offsetting this gain was the adverse effect of high crude oil prices, which reduced the operation of many domestic oil-fired generating units. Revenues from these units were reduced by \$4.6 million versus 2005.

Fourth-quarter revenues for the APC segment were essentially flat versus a year ago, reflecting the timing of project completions. Revenues for the fuel treatment technology segment advanced 26% versus the same year-ago quarter, as gains were limited by the effects of mild weather on electricity generation.

Selling, general and administrative expenses rose \$0.8 million, or 15%, and \$6.5 million, or 37%, during the fourth quarter and full year of 2006, respectively. These increases reflect several factors, including greater revenue-related expenses; increased staffing levels and associated costs in response to overall business growth; utilization of outside services, including costs incurred to domesticate the Company 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 \$452,000 in the fourth quarter and \$1,805,000 for all of 2006.

John F. Norris Jr., President and Chief Executive Officer, commented, "2006 was a year of excellent performance at Fuel Tech. We achieved record results in both our APC and fuel treatment chemical technology segments, while laying the groundwork for continued growth in future periods. In particular, one of our key objectives is further penetration of international markets, and I am pleased to report that foreign revenues reached an all-time high in 2006, advancing to \$17.5 million, a 56% increase versus a year ago."

Mr. Norris continued, "The APC segment achieved success by focusing on sales growth and effective project execution both in the United States and the PRC, while initiating a number of "firsts" that have the potential to lead to attractive new revenue streams. These include the

first commercial installation of a NO<sub>x</sub>OUT CASCADE<sup>®</sup> system on a coal-fired boiler, the first commercial SNCR/RRI project, and the first SNCR lignite-fired application. The initial two projects leverage our existing Selective Non-Catalytic Reduction (SNCR) technology to achieve deeper and more economic NO<sub>x</sub> reductions, while the third will enable us to target an entirely new market. We also positioned ourselves for highly competitive bids on urea-to-ammonia conversion systems in the PRC and, as reported in January of this year, were awarded our first two NO<sub>x</sub>OUT ULTRA<sup>®</sup> systems in that country, to be installed in advance of the 2008 Beijing Summer Olympics.”

Mr. Norris continued, “In the fuel treatment chemical segment, acceptance of our FUEL CHEM<sup>®</sup> program accelerated during 2006 with the installation of proprietary TIFI<sup>™</sup> Targeted In-Furnace Injection<sup>™</sup> technology on 11 combustion units, including four oil-fired units; three coal-fired industrial boilers; and four coal-fired utility boilers, bringing to 24 the total number of coal-fired utility units utilizing this technology at year end. Of particular note were the penetration of the Pacific Northwest market with a TIFI demonstration on a Powder River Basin coal-fired unit, and the placement of a second TIFI order by a major Southeastern U.S. electric utility burning Central Appalachian coal. In the former case, the TIFI program was introduced to inhibit slag formation, while in the latter case the program was primarily required to mitigate sulfur trioxide (SO<sub>3</sub>) emissions, a growing market for the Company’s versatile technology platform. We are also pleased to report that chemical injection commenced recently on three small oil-fired boilers in Mexico, where a sizable market for our technology exists due to the widespread availability of low-quality fuel oils, which can cause acidic emissions and slag problems. Thus far in 2007, we have announced two additional FUEL CHEM orders with existing customers, including the aforementioned Southeastern U.S. utility.”

Mr. Norris concluded, “While our record-setting results for 2006 were a great achievement, we believe that we have positioned the Company to attain further growth in 2007. Our goal is to make that happen. For 2007, we expect revenues to increase by some 20%-27%, to \$90-\$95 million, with gains in both technology segments.”

### **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.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 866.202.3048 (domestic) or 617.213.8843 (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 “12417677”. The replay will be available until March 28, 2007.

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## 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 50 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.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.*

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(Tables to Follow)

**FUEL TECH, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands of U.S. dollars, except share data)

	December 31	
	2006	2005
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 24,405	\$ 10,375
Short-term investments	8,000	6,000
Accounts receivable, net of allowances for doubtful accounts of \$150 and \$150, respectively	16,724	13,233
Inventories	203	358
Deferred income taxes	4,972	3,043
Prepaid expenses and other current assets	1,916	1,072
Total current assets	56,220	34,081
Equipment, net of accumulated depreciation of \$8,845 and \$7,900, respectively	4,051	4,045
Goodwill	2,119	2,119
Other intangible assets, net of accumulated amortization of \$1,205 and \$1,087, respectively	1,156	1,224
Deferred income taxes	885	1,579
Other assets	1,229	1,027
Total assets	\$ 65,660	\$ 44,075
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 7,632	\$ 6,493
Accrued liabilities:		
Employee and director compensation	4,457	2,331
Other accrued liabilities	5,416	5,667
Total current liabilities	17,505	14,491
Other liabilities	500	448
Total liabilities	18,005	14,939
Shareholders' equity:		
Common stock, \$.01 par value, 40,000,000 shares authorized, 22,086,728 and 20,424,133 shares issued, respectively	221	204
Additional paid-in capital	103,122	91,559
Accumulated deficit	(56,044)	(62,870)
Accumulated other comprehensive (loss) income	79	(39)
Nil coupon perpetual loan notes	277	282
Total shareholders' equity	47,655	29,136
Total liabilities and shareholders' equity	\$ 65,660	\$ 44,075

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

	Three Months Ended		Twelve Months Ended	
	December 31		December 31	
	2006	2005	2006	2005
<b>Net sales</b>	\$18,062	\$16,276	\$75,115	\$52,928
<b>Costs and expenses:</b>				
Cost of sales	9,219	8,201	38,429	27,118
Selling, general and administrative	6,332	5,484	23,901	17,414
Research and development	585	328	2,052	1,241
	<u>16,136</u>	<u>14,013</u>	<u>64,382</u>	<u>45,773</u>
<b>Operating income</b>	1,926	2,263	10,733	7,155
Interest income	346	126	1,011	244
Other income (expense), net	57	(2)	24	(230)
Income before taxes	<u>2,329</u>	<u>2,387</u>	<u>11,768</u>	<u>7,169</u>
Income tax (expense) benefit	(871)	228	(4,942)	419
<b>Net income</b>	<u>\$1,458</u>	<u>\$2,615</u>	<u>\$6,826</u>	<u>\$7,588</u>
<b>Net income per Common Share:</b>				
Basic	\$0.07	\$0.13	\$0.32	\$0.38
Diluted	\$0.06	\$0.11	\$0.28	\$0.33
<b>Weighted-Average number of Common Shares outstanding:</b>				
Basic	21,915,000	20,357,000	21,491,000	20,043,000
Diluted	24,495,000	23,578,000	24,187,000	23,066,000

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

	2006	2005
For the years ended December 31		
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 6,826	\$ 7,588
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,961	1,566
Amortization	118	127
Provision for doubtful accounts	-	26
Loss on equipment disposals/impaired assets	-	32
Deferred income tax	(1,235)	(2,978)
Current stock compensation expense	1,805	-
Changes in operating assets and liabilities:		
Accounts receivable	(3,491)	(5,901)
Inventories	155	(47)
Prepaid expenses, other current assets and other noncurrent assets	(1,046)	(439)
Accounts payable	1,139	3,788
Accrued liabilities and other noncurrent liabilities	1,927	6,278
Other	-	3
Net cash provided by operating activities	8,159	10,043
<b>INVESTING ACTIVITIES</b>		
Purchases of short-term investments	(2,000)	(3,500)
Purchases of equipment and patents	(2,017)	(2,792)
Net cash used in investing activities	(4,017)	(6,292)
<b>FINANCING ACTIVITIES</b>		
Proceeds from exercise of stock options and warrants	3,826	1,230
Income tax benefit from exercise of stock options	5,944	1,488
Net cash provided by financing activities	9,770	2,718
Effect of exchange rate fluctuations on cash	118	(125)
Net increase in cash and cash equivalents	14,030	6,344
Cash and cash equivalents at beginning of year	10,375	4,031
Cash and cash equivalents at end of year	\$ 24,405	\$ 10,375

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

Three months ended December 31, 2006	Nitrogen Oxide Reduction	Fuel Treatment Chemical	Other	Total
Net sales from external customers	\$9,737	\$8,325	\$ -	\$18,062
Cost of sales	5,910	3,274	35	9,219
Gross margin	3,827	5,051	(35)	8,843
Selling, general and administrative	-	-	6,332	6,332
Research and development	-	-	585	585
Operating income (loss)	\$3,827	\$5,051	\$(6,952)	\$ 1,926

Three months ended December 31, 2005	Nitrogen Oxide Reduction	Fuel Treatment Chemical	Other	Total
Net sales from external customers	\$ 9,647	\$ 6,628	\$ 1	\$ 16,276
Cost of sales	5,124	3,027	50	8,201
Gross margin	4,523	3,601	(49)	8,075
Selling, general and administrative	-	-	5,484	5,484
Research and development	-	-	328	328
Operating income (loss)	\$ 4,523	\$ 3,601	\$ (5,861)	\$ 2,263

For the year ended December 31, 2006	Nitrogen Oxide Reduction	Fuel Treatment Chemical	Other	Total
Net sales from external customers	\$46,454	\$28,661	\$ -	\$75,115
Cost of sales	26,328	11,932	169	38,429
Gross margin	20,126	16,729	(169)	36,686
Selling, general and administrative	-	-	23,901	23,901
Research and development	-	-	2,052	2,052
Operating income (loss)	\$20,126	\$16,729	\$(26,122)	\$10,733

For the year ended December 31, 2005	Nitrogen Oxide Reduction	Fuel Treatment Chemical	Other	Total
Net sales from external customers	\$ 32,650	\$ 20,272	\$ 6	\$ 52,928
Cost of sales	16,744	10,096	278	27,118
Gross margin	15,906	10,176	(272)	25,810
Selling, general and administrative	-	-	17,414	17,414
Research and development	-	-	1,241	1,241
Operating income (loss)	\$ 15,906	\$ 10,176	\$(18,927)	\$ 7,155

*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 of U.S. dollars)

	<u>Three months ended December 31</u>		<u>Twelve months ended December 31</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Net Sales:				
United States	\$16,033	\$ 11,169	\$57,628	\$ 41,721
Foreign	<u>2,029</u>	<u>5,107</u>	<u>17,487</u>	<u>11,207</u>
	<u>\$18,062</u>	<u>\$ 16,276</u>	<u>\$75,115</u>	<u>\$ 52,928</u>