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FOR IMMEDIATE RELEASE

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FUEL TECH REPORTS SECOND-QUARTER RESULTS

BATAVIA, Ill., Aug. 6, 2007 – 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 six-month period ended June 30, 2007.

Net sales for the second quarter totaled \$16.2 million, down 18% from the comparable prior-year quarter. Net income was \$0.3 million, or \$0.01 per diluted share, compared with \$2.0 million, or \$0.08 per diluted share, in the same year-ago quarter.

Net sales for the first six months were \$32.5 million, down 12% from the comparable year-earlier period. Net income for the six months totaled \$1.1 million, or \$0.04 per diluted share, compared with \$3.3 million, or \$0.14 per diluted share, in the same year-ago period.

“Our results thus far are below our expectations, but reflect the timing of new project awards for each business segment rather than any fundamental shift in the markets for our products and services,” commented John F. Norris Jr., President and Chief Executive Officer.

Net sales for the quarter and six-month period were reduced from year-ago levels due to delays in signing new contracts for the Air Pollution Control (APC) business segment in the United States and the winding down of two APC projects in the People’s Republic of China, which had contributed heavily to 2006 sales. As of June 30, 2007, the Company’s backlog, which comprises projects in the APC segment, totaled approximately \$9 million.

Mr. Norris continued, “The outlook for new domestic APC business has never been brighter as utilities begin to implement compliance strategies for NOx emission requirements set to take hold in 2009. Overseas, we have taken important steps to expand our presence in the rapidly expanding Chinese market with the recent formation of Beijing Fuel Tech Environmental

Technologies Co., Ltd. Overall, we expect a significant number of APC contracts to be awarded in the second half of 2007.”

The FUEL CHEM[®] business segment realized quarterly and six-month revenue improvements of 30% and 43%, respectively. Nonetheless, these gains were limited by the impact of plant outages and operational issues at several existing utility customers as well as by delayed start-ups of new FUEL CHEM programs at five coal-fired utility boilers. Chemical injection at these units is scheduled to commence late this quarter and early in the fourth quarter of the year. During the first half of 2007, Fuel Tech added seven coal-fired utility units to its FUEL CHEM customer base, bringing the total to 30.

Mr. Norris continued, “On the FUEL CHEM side, a number of customer-driven events have temporarily constrained chemical sales and margins, but we expect a strong pick-up in the second half of the year, especially in the fourth quarter, as plant issues are resolved and new installations begin to generate higher-margin incremental revenues. In addition, prospects for realizing our first FUEL CHEM business in China have been greatly enhanced by our recently announced teaming agreement with ITOCHU. As we have previously stated, our objective is to sign up our first Chinese power plant during the third quarter.”

The declines in quarterly and six-month net income were due to the aforementioned reduction in net sales and to the recording of higher stock-based compensation expense which, on an after-tax basis, totaled \$1.1 million and \$1.7 million during the second quarter and first six months of 2007, respectively, versus \$0.6 million and \$0.7 million during the comparable prior-year periods.

Mr. Norris concluded, “In light of the financial results achieved to date, and a detailed reassessment of the timing of execution of expected new contracts for the balance of the year, we believe it prudent to moderate our 2007 financial outlook, reducing our revenue range from \$90 - \$95 million to \$80 - \$85 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.ftek.com and can be accessed on the Home page under “Quick Links.” The call can also be accessed by dialing 866-314-4483 (domestic) or 617-213-8043 (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 “12756695.” The replay will be available until August 31, 2007.

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 the NO_xOUT[®], 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 post-combustion NO_x control systems, with installations on over 450 units worldwide, where coal, 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 nearly 60 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.

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 dollars, except share and per-share data)

	June 30, 2007	December 31, 2006
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 32,604	\$ 24,405
Short-term investments	-	8,000
Accounts receivable, net of allowances for doubtful accounts of \$150	15,517	16,724
Inventories	210	203
Deferred income taxes	4,866	4,972
Prepaid expenses and other current assets	1,255	1,916
Total current assets	54,452	56,220
Equipment, net of accumulated depreciation of \$9,977 and \$8,845, respectively	4,928	4,051
Goodwill	2,119	2,119
Other intangible assets, net of accumulated amortization of \$1,261 and \$1,205, respectively	1,106	1,156
Deferred income taxes	1,858	885
Other assets	1,892	1,229
Total assets	\$ 66,355	\$ 65,660
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 7,203	\$ 7,632
Accrued liabilities	3,283	9,873
Total current liabilities	10,486	17,505
Other liabilities	1,263	500
Total liabilities	11,749	18,005
Shareholders' equity:		
Common stock, \$.01 par value, 40,000,000 shares authorized, 22,298,647 and 22,086,728 shares issued, respectively	223	221
Additional paid-in capital	109,068	103,122
Accumulated deficit	(55,051)	(56,044)
Accumulated other comprehensive income	94	79
Nil coupon perpetual loan notes	272	277
Total shareholders' equity	54,606	47,655
Total liabilities and shareholders' equity	\$ 66,355	\$ 65,660

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

	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
Net sales	\$ 16,210	\$ 19,759	\$ 32,472	\$ 36,880
Costs and expenses:				
Cost of sales	9,083	10,112	18,040	19,168
Selling, general and administrative	6,563	6,039	12,469	11,463
Research and development	557	499	1,111	850
	<u>16,203</u>	<u>16,650</u>	<u>31,620</u>	<u>31,481</u>
Operating income	7	3,109	852	5,399
Interest income	419	247	836	397
Other expense	(30)	(1)	(71)	(19)
Income before taxes	<u>396</u>	<u>3,355</u>	<u>1,617</u>	<u>5,777</u>
Income tax expense	<u>(114)</u>	<u>(1,397)</u>	<u>(543)</u>	<u>(2,469)</u>
Net income	<u>\$ 282</u>	<u>\$ 1,958</u>	<u>\$ 1,074</u>	<u>\$ 3,308</u>
Net income per Common Share:				
Basic	<u>\$ 0.01</u>	<u>\$ 0.09</u>	<u>\$ 0.05</u>	<u>\$ 0.16</u>
Diluted	<u>\$ 0.01</u>	<u>\$ 0.08</u>	<u>\$ 0.04</u>	<u>\$ 0.14</u>
Weighted-average number of Common Shares outstanding:				
Basic	<u>22,220,000</u>	<u>21,697,000</u>	<u>22,164,000</u>	<u>21,158,000</u>
Diluted	<u>24,679,000</u>	<u>24,230,000</u>	<u>24,666,000</u>	<u>24,004,000</u>

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

	Six Months Ended June 30	
	<u>2007</u>	<u>2006</u>
Operating activities		
Net cash used in operating activities	<u>\$ (1,062)</u>	<u>\$ (708)</u>
Investing activities		
Sales (purchases) of short-term investments	8,000	(10,200)
Purchases of equipment and patents	(2,028)	(1,333)
Net cash provided by (used in) investing activities	<u>5,972</u>	<u>(11,533)</u>
Financing activities		
Proceeds from exercise of stock options	785	2,880
Issuance of deferred shares of stock	1,110	-
Income tax benefit from exercise of stock options	1,379	2,788
Net cash provided by financing activities	<u>3,274</u>	<u>5,668</u>
Effect of exchange rate fluctuations on cash	<u>15</u>	<u>74</u>
Net increase (decrease) in cash and cash equivalents	8,199	(6,499)
Cash and cash equivalents at beginning of period	<u>24,405</u>	<u>10,375</u>
Cash and cash equivalents at end of period	<u><u>\$ 32,604</u></u>	<u><u>\$ 3,876</u></u>

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

Three months ended June 30, 2007	Nitrogen Oxide Reduction	Fuel Treatment Chemical	Other	Total
Net sales from external customers	\$ 7,648	\$ 8,562	\$ -	\$ 16,210
Cost of sales	4,745	4,304	34	9,083
Gross margin	2,903	4,258	(34)	7,127
Selling, general and administrative	-	-	6,563	6,563
Research and development	-	-	557	557
Operating income (loss)	\$ 2,903	\$ 4,258	\$ (7,154)	\$ 7

Three months ended June 30, 2006	Nitrogen Oxide Reduction	Fuel Treatment Chemical	Other	Total
Net sales from external customers	\$ 13,155	\$ 6,604	\$ -	\$ 19,759
Cost of sales	7,260	2,810	42	10,112
Gross margin	5,895	3,794	(42)	9,647
Selling, general and administrative	-	-	6,039	6,039
Research and development	-	-	499	499
Operating income (loss)	\$ 5,895	\$ 3,794	\$ (6,580)	\$ 3,109

Six months ended June 30, 2007	Nitrogen Oxide Reduction	Fuel Treatment Chemical	Other	Total
Net sales from external customers	\$ 16,257	\$ 16,215	\$ -	\$ 32,472
Cost of sales	9,772	8,199	69	18,040
Gross margin	6,485	8,016	(69)	14,432
Selling, general and administrative	-	-	12,469	12,469
Research and development	-	-	1,111	1,111
Operating income (loss)	\$ 6,485	\$ 8,016	\$ (13,649)	\$ 852

Six months ended June 30, 2006	Nitrogen Oxide Reduction	Fuel Treatment Chemical	Other	Total
Net sales from external customers	\$ 25,520	\$ 11,360	\$ -	\$ 36,880
Cost of sales	14,148	4,928	92	19,168
Gross margin	11,372	6,432	(92)	17,712
Selling, general and administrative	-	-	11,463	11,463
Research and development	-	-	850	850
Operating income (loss)	\$ 11,372	\$ 6,432	\$ (12,405)	\$ 5,399

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.

GEOGRAPHIC INFORMATION

(Unaudited)
(in thousands of dollars)

	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
Net sales:				
United States	\$11,584	\$13,293	\$25,591	\$26,199
Foreign	4,626	6,466	6,881	10,681
	<u>\$16,210</u>	<u>\$19,759</u>	<u>\$32,472</u>	<u>\$36,880</u>