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FOR IMMEDIATE RELEASE

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**FUEL TECH REPORTS RECORD FOURTH-QUARTER
AND FULL-YEAR RESULTS**

--Quarterly Net Income Surges 260% on 80% Revenue Gain--

BATAVIA, Ill., Mar. 5, 2008 – 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, 2007.

For the quarter, revenues totaled a record \$32.6 million, up 80% from \$18.1 million in the fourth quarter of 2006. Net income for the quarter was a record \$5.2 million, or \$0.21 per diluted share, versus \$1.5 million, or \$0.06 per diluted share, in the comparable prior-year period.

Revenues for the full year were a record high \$80.3 million, up 7% from \$75.1 million in 2006. Net income for the year was \$7.2 million, or \$0.29 per diluted share, compared with \$6.8 million, or \$0.28 per diluted share, in 2006. Net income for 2007 was only exceeded by results for 2005, when the recording of one-time tax benefits enhanced reported net income. Pre-tax income for 2007 totaled a record \$12.4 million.

John F. Norris Jr., President and Chief Executive Officer, commented, “Following three quarters of lackluster results, Fuel Tech has delivered a very strong performance with an all-time, record-breaking quarter, as revenues surpassed the prior quarterly record by over 60%.”

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The air pollution control (APC) technology segment posted record quarterly revenues of \$24.6 million, a 153% increase versus the comparable prior-year period. Order flow maintained strong momentum during the fourth quarter as the Company signed new contracts totaling \$24 million. Fuel Tech will continue to benefit from Clean Air Interstate Rule (CAIR) provisions, which begin to take hold next year, as well as from more stringent regulations for nitrogen oxide control in the People's Republic of China (PRC).

The fuel treatment chemical technology segment recorded fourth-quarter revenues of \$8.0 million, down slightly from the comparable year-ago period. During the fourth quarter, and earlier this year, installation was completed on the remaining FUEL CHEM[®] demonstration programs awarded in 2007, but not in time to have a material impact on revenues in the quarter. These units have now all started up and will have a favorable impact on 2008 results.

For the full year, revenues in the APC segment increased 3% versus 2006, reflecting delayed order flow in the first half of 2007 and the favorable impact of a second-half 2007 surge in new domestic orders, largely offset by the winding down of two APC projects in the PRC, which had contributed heavily to 2006 revenues. Gross margins in this segment improved from 43% in 2006 to 46% in 2007, reflecting the mix of project business.

Annual revenues advanced 14% in the fuel treatment technology segment, but gains were limited by the aforementioned delays in implementing demonstration programs during 2007. The 13 total units added to the Company's customer base last year represented an all-time record number, but only two contributed significant revenues during 2007. Start-up costs associated with the pending demonstration programs contributed to a reduction in segment gross margins from 58% in 2006 to 49% in 2007.

Selling, general and administrative expenses rose \$1.0 million, or 4%, during 2007, reflecting two countervailing factors. The Company recorded \$4.8 million in stock compensation expense during 2007, in accordance with Statement 123(R), compared with \$1.8 million in 2006. This \$3.0 million increase is attributable to the awarding of stock options to all Fuel Tech employees in December 2006 and to an increase in the fair value of the options granted. Partially offsetting this factor is a reduction in revenue-related expenses of \$2.1 million as Fuel Tech aligned the focus of all employees under a common incentive plan in 2007.

Interest income advanced \$0.6 million during 2007, driven by higher average cash and short-term investment balances.

Mr. Norris continued, "2007 was a year of both major challenges and tremendous accomplishments at Fuel Tech. Delays in APC contract awards and delayed start ups of new FUEL CHEM programs caused us to fall short of our expectations through the first nine months of the year. Nevertheless, we finished the year with an outstanding fourth quarter, and in the process, set new records for revenues and pre-tax income, as well as contract awards in each of our technology segments. Our progress during 2007 has enabled us to lay the groundwork for entering a new growth phase in our business."

Mr. Norris continued, "Full-year bookings for 2007 totaled \$60 million, well above our previous record of \$43 million. These APC contracts reflect an extraordinarily active quotation environment, both in the United States and abroad, and we see a continuation of this upswing into 2008. With 2007 bookings heavily weighted towards the second half of the year, we ended 2007 with a record-tying backlog of \$28 million. This provides a strong earnings foundation for 2008, as well as greater financial visibility for the APC portion of our business."

Mr. Norris added, "Our fuel treatment chemical segment had a banner year in 2007 as orders were secured for a record 13 FUEL CHEM demonstration programs, including eight for large, domestic coal-fired boilers, two for small domestic coal units, one for a waste-to-energy unit using our new TCI™ Targeted Corrosion Inhibition™ technology and two for small biomass units in Italy burning olive pits and wood. These program additions resulted in a contracted base of 89 FUEL CHEM customer units at year-end 2007."

Mr. Norris continued, "We are also off to a very strong start in 2008 with the signing of our first demonstration program in India and the announcement of a demonstration program in the PRC, the latter resulting from our teaming agreement with ITOCHU Hong Kong Ltd., a subsidiary of ITOCHU Corporation, a major service provider to Chinese power plants. India and the PRC represent enormous market potential for our efficiency enhancing FUEL CHEM programs. Equally satisfying has been the public affirmation of value ascribed to our TIFI™ Targeted In-Furnace Injection™ technology, as recently documented in a joint case study with Santee Cooper, South Carolina's state-owned electric utility and a major FUEL CHEM customer. That detailed assessment affirmed a greater than 4 to 1 annual return on investment while at the same time dramatically reducing the total toxic release from the plant."

Mr. Norris added, "I am also pleased to report that we ended the year in a strong financial position with cash and short-term investments exceeding \$32 million despite a \$6 million cash outlay in the fourth quarter for the purchase of a new corporate headquarters building. This newly constructed facility is located in Warrenville, Illinois, not far from our current headquarters in Batavia, and will enable us to accommodate our plans for rapid business expansion. We intend to complete our relocation by June 1."

Mr. Norris concluded, "With the strong momentum we bring into the new year, and the positive outlook for our businesses, we believe we are positioned for attractive growth in 2008 and expect revenues to increase by some 10% - 16%, to \$88 - \$93 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 and can be accessed on the Home page under "Quick Links." The call can also be accessed by dialing 888.713.4209 (domestic) or 617.213.4863 (international) and using the passcode "38358324." 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 entering the passcode "53449317." The replay will be available through March 29, 2008.

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 NOx. 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.

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.

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(Tables to Follow)

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

	December 31	
	2007	2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 30,473	\$ 24,405
Short-term investments	1,998	8,000
Accounts receivable, net of allowances for doubtful accounts of \$150	31,856	16,724
Inventories	186	203
Deferred income taxes	1,589	4,972
Prepaid expenses and other current assets	1,761	1,916
Total current assets	67,863	56,220
Equipment, net of accumulated depreciation of \$10,091 and \$8,845, respectively	11,302	4,051
Goodwill	2,119	2,119
Other intangible assets, net of accumulated amortization of \$1,320 and \$1,205, respectively	1,088	1,156
Deferred income taxes	2,552	885
Other assets	2,290	1,229
Total assets	\$ 87,214	\$ 65,660
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term debt	\$ 2,051	\$ -
Accounts payable	13,632	7,632
Accrued liabilities:		
Employee and director compensation	2,304	4,457
Other accrued liabilities	4,733	5,416
Total current liabilities	22,720	17,505
Other liabilities	1,255	500
Total liabilities	23,975	18,005
Shareholders' equity:		
Common stock, \$.01 par value, 40,000,000 shares authorized, 22,410,064 and 22,086,728 shares issued, respectively	224	221
Additional paid-in capital	111,459	103,122
Accumulated deficit	(48,882)	(56,044)
Accumulated other comprehensive income	166	79
Nil coupon perpetual loan notes	272	277
Total shareholders' equity	63,239	47,655
Total liabilities and shareholders' equity	\$ 87,214	\$ 65,660

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

	Three Months Ended		Twelve Months Ended	
	December 31		December 31	
	2007	2006	2007	2006
Revenues	\$32,579	\$18,062	\$80,297	\$75,115
Costs and expenses:				
Cost of sales	16,413	9,219	42,471	38,429
Selling, general and administrative	6,825	6,332	24,950	23,901
Research and development	485	585	2,137	2,052
	<u>23,723</u>	<u>16,136</u>	<u>69,558</u>	<u>64,382</u>
Operating income	8,856	1,926	10,739	10,733
Interest expense	(24)	-	(24)	-
Interest income	381	346	1,634	1,011
Other income	102	57	81	24
	<u>9,315</u>	<u>2,329</u>	<u>12,430</u>	<u>11,768</u>
Income before taxes	(4,073)	(871)	(5,187)	(4,942)
Income tax expense	<u>\$ 5,242</u>	<u>\$ 1,458</u>	<u>\$ 7,243</u>	<u>\$ 6,826</u>
Net income				
Net income per Common Share:				
Basic	\$0.23	\$0.07	\$ 0.33	\$0.32
Diluted	\$0.21	\$0.06	\$ 0.29	\$0.28
Weighted-average number of Common Shares outstanding:				
Basic	22,403,000	21,915,000	22,280,000	21,491,000
Diluted	24,730,000	24,495,000	24,720,000	24,187,000

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

	2007	2006
For the years ended December 31		
OPERATING ACTIVITIES		
Net income	\$ 7,243	\$ 6,826
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,353	1,961
Amortization	115	118
Effect of FIN 48 adoption	(81)	-
Loss on equipment disposals/impaired assets	18	-
Deferred income tax	1,716	(1,235)
Current stock compensation expense	4,791	1,805
Changes in operating assets and liabilities:		
Accounts receivable	(15,132)	(3,491)
Inventories	17	155
Prepaid expenses, other current assets and other noncurrent assets	(906)	(1,046)
Accounts payable	6,000	1,139
Accrued liabilities and other noncurrent liabilities	(2,081)	1,927
Other	46	-
Net cash provided by operating activities	4,099	8,159
INVESTING ACTIVITIES		
Proceeds from sales of short-term investments	6,002	-
Purchases of short-term investments	-	(2,000)
Purchases of equipment and patents	(9,715)	(2,017)
Net cash used in investing activities	(3,713)	(4,017)
FINANCING ACTIVITIES		
Proceeds from short-term borrowings	2,051	-
Issuance of deferred shares	1,150	-
Proceeds from exercise of stock options and warrants	912	3,826
Income tax benefit from exercise of stock options	1,482	5,944
Net cash provided by financing activities	5,595	9,770
Effect of exchange rate fluctuations on cash	87	118
Net increase in cash and cash equivalents	6,068	14,030
Cash and cash equivalents at beginning of year	24,405	10,375
Cash and cash equivalents at end of year	\$ 30,473	\$ 24,405

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

Three months ended December 31, 2007	Nitrogen Oxide Reduction	Fuel Treatment Chemical	Other	Total
Revenues from external customers	\$ 24,625	\$ 7,954	\$ -	\$ 32,579
Cost of sales	12,097	4,315	1	16,413
Gross margin	12,528	3,639	(1)	16,166
Selling, general and administrative	-	-	6,825	6,825
Research and development	-	-	485	485
Operating income (loss)	\$ 12,528	\$ 3,639	\$ (7,311)	\$ 8,856

Three months ended December 31, 2006	Nitrogen Oxide Reduction	Fuel Treatment Chemical	Other	Total
Revenues 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

For the year ended December 31, 2007	Nitrogen Oxide Reduction	Fuel Treatment Chemical	Other	Total
Revenues from external customers	\$ 47,750	\$ 32,547	\$ -	\$ 80,297
Cost of sales	25,775	16,619	77	42,471
Gross margin	21,975	15,928	(77)	37,826
Selling, general and administrative	-	-	24,950	24,950
Research and development	-	-	2,137	2,137
Operating income (loss)	\$ 21,975	\$ 15,928	\$ (27,164)	\$ 10,739

For the year ended December 31, 2006	Nitrogen Oxide Reduction	Fuel Treatment Chemical	Other	Total
Revenues 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

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 dollars)

	<u>Three months ended December 31</u>		<u>Twelve months ended December 31</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues:				
United States	\$ 30,036	\$ 16,033	\$ 67,534	\$ 57,628
Foreign	2,543	2,029	12,763	17,487
	<u>\$ 32,579</u>	<u>\$ 18,062</u>	<u>\$ 80,297</u>	<u>\$ 75,115</u>