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FUEL TECH REPORTS SECOND-QUARTER RESULTS

WARRENVILLE, Ill., Aug. 11, 2008 – 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, 2008.

Second-Quarter 2008

Revenues for the second quarter totaled \$18.8 million, an increase of 16% from the comparable prior-year quarter. Net income was \$0.45 million, or \$0.02 per diluted share, compared with \$0.28 million, or \$0.01 per diluted share, in the same year-ago quarter.

The Air Pollution Control (APC) technology segment generated revenues of \$10.5 million, an increase of 37% versus the second quarter of 2007. The gain was driven by the ongoing recognition of revenue on the \$50 million in APC contracts awarded in the second half of 2007. Segment gross margins improved to 46% versus the 38% reported in the second quarter of 2007, reflecting less turnkey work in the project mix.

Revenues for the fuel treatment chemical technology segment totaled \$8.3 million, down 3% from the comparable 2007 quarter. Current-quarter revenues include \$7.7 million from coal-fired units, a slight increase versus a year ago, and \$0.6 million from non-coal fired units, a decline of 33% from the comparable prior-year quarter, as record crude oil prices kept many oil-fired units from running in all but peak or other critical situations. Quarterly results were also adversely affected by extended outages at several large customer coal units. Segment gross margins remained at 50% versus the second quarter of 2007.

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Selling, general and administrative expenses were \$7.4 million, or 39% of consolidated revenues. While these expenses increased \$0.85 million from the second quarter of 2007, their percentage to total revenues decreased 100 basis points from 40% as the Company continues to leverage its fixed and semi-variable cost structure in a growing environment.

Research and development expenses were \$0.9 million, an increase of \$0.35 million, or 63%, versus the second quarter of 2007. The majority of this expenditure was for a major initiative that is expected to yield very positive business results for the Company in the near future.

Year-to-date 2008

Revenues for the first six months were \$39.3 million, an increase of 21% from the comparable year-earlier period. Net income for the six months totaled \$2.1 million, or \$0.08 per diluted share, compared with \$1.1 million, or \$0.04 per diluted share, in the same year-ago period.

The APC technology segment recorded revenues of \$22.1 million, a 36% increase versus the comparable prior-year period, as the Company continues to benefit from the surge in contract signings during the second half of 2007. Segment gross margins improved to 47% versus the 40% reported for the first half of 2007 due to a more favorable project mix.

Revenues for the fuel treatment chemical technology segment totaled \$17.1 million, a 6% advance from the \$16.2 million recognized in the comparable prior-year period. Of the \$16.2 million in total first-half 2007 segment revenues, \$12.7 million was generated from coal-fired units while \$3.5 million was derived from non-coal fired units. Of the \$17.1 million in first-half 2008 segment revenues, \$15.0 million was associated with coal-fired units (an increase of 18% versus the comparable prior-year period) while revenues from non-coal fired units declined 40% to \$2.1 million. The large year-over-year reduction in FUEL CHEM[®] revenues from non-coal fired units was due to the high price of crude oil, which kept oil-fired units from being dispatched to the extent they were in 2007. Segment gross margins remained at 49% versus the first half of 2007.

Through the first six months of 2008, the Company announced contract awards with a value of approximately \$16 million. This level of order activity contributed to a capital projects backlog at the end of the second quarter of \$27 million.

“Results for the second quarter were decidedly mixed,” commented John F. Norris Jr., President and Chief Executive Officer. “While we achieved strong year-over-year gains in the Air Pollution Control segment, the timing of certain equipment orders contributed to lower than anticipated APC revenues being recognized, but a higher than anticipated backlog for the quarter.

These revenues will be recognized during the next two quarters. Our FUEL CHEM segment continued to feel the dampening effects of high crude oil prices as well as the impact of extended outages. Nevertheless, we continue to lay the groundwork for robust growth in our FUEL CHEM business, having added 11 new customer units during the first half of 2008, including nine coal-fired units. This not only brings our overall count to 100, but puts us well ahead of last year's record-setting pace, which saw a total of 13 unit additions, including 10 coal-fired units. On the APC side, we maintain a sizable inventory of projects that will convert to revenues during the next few quarters. As of June 30, 2008, our backlog stood at \$27 million, a record level for this date, and up over \$2 million from the end of the first quarter."

Mr. Norris continued, "Since we last reported earnings, there have been two noteworthy developments in the People's Republic of China (PRC). First, in the province of Liaoning, we were selected for a 12-month feasibility study in which our combined NOxOUT[®] Selective Non-Catalytic Reduction and TIFI[™] Targeted In-Furnace Injection[™] technologies will be applied to a small coal-fired combustion unit in a district heating plant. This represents the first application in which these complementary technologies will be integrated to control toxic air pollutants and improve boiler operating efficiency. With over 500,000 small district heating boilers in the PRC, the market potential for our proprietary approach is exceedingly attractive. Second, we have extended our exclusive teaming agreement with a subsidiary of ITOCHU Corporation to pursue FUEL CHEM opportunities through March 31, 2009. This extension is indicative of the increased level of sales activity in the PRC, which is expected to result in additional demonstrations in the not-too-distant future."

Mr. Norris concluded, "With the expectation of a more rapid conversion of APC backlog to reported revenues, and the growth we anticipate for our FUEL CHEM segment during the next two quarters, we are reaffirming our 2008 revenue outlook of \$88 - \$93 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 866-831-6267 (domestic) or 617-213-8857 (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 "18944020." The replay will be available until August 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 NO_x. This technology, in the form of a customizable FUEL CHEM program, is being applied to 100 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.

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

	June 30, 2008	December 31, 2007
	<u>(Unaudited)</u>	<u></u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 28,959	\$ 30,473
Short-term investments	-	1,998
Accounts receivable, net of allowances for doubtful accounts of \$87 and \$150	25,929	31,856
Inventories	667	186
Deferred income taxes	666	1,589
Prepaid expenses and other current assets	2,766	1,761
Total current assets	<u>58,987</u>	<u>67,863</u>
Property and equipment, net of accumulated depreciation of \$11,340 and \$10,091, respectively	17,538	11,302
Goodwill	2,119	2,119
Other intangible assets, net of accumulated amortization of \$1,385 and \$1,320, respectively	1,345	1,088
Deferred income taxes	3,577	2,552
Other assets	2,847	2,290
Total assets	<u>\$ 86,413</u>	<u>\$ 87,214</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term debt	\$ 2,183	\$ 2,051
Accounts payable	9,648	13,632
Accrued liabilities	3,956	7,037
Total current liabilities	<u>15,787</u>	<u>22,720</u>
Other liabilities	1,326	1,255
Total liabilities	<u>17,113</u>	<u>23,975</u>
Shareholders' equity:		
Common stock, \$.01 par value, 40,000,000 shares authorized, 23,971,622 and 22,410,064 shares issued, respectively	239	224
Additional paid-in capital	115,316	111,459
Accumulated deficit	(46,802)	(48,882)
Accumulated other comprehensive income	275	166
Nil coupon perpetual loan notes	272	272
Total shareholders' equity	<u>69,300</u>	<u>63,239</u>
Total liabilities and shareholders' equity	<u>\$ 86,413</u>	<u>\$ 87,214</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,	
	2008	2007	2008	2007
Revenues	\$ 18,791	\$ 16,210	\$ 39,258	\$ 32,472
Costs and expenses:				
Cost of sales	9,833	9,083	20,502	18,040
Selling, general and administrative	7,413	6,563	14,392	12,469
Research and development	909	557	1,464	1,111
	<u>18,155</u>	<u>16,203</u>	<u>36,358</u>	<u>31,620</u>
Operating income	636	7	2,900	852
Interest expense	(16)	-	(62)	-
Interest income	189	419	465	836
Other (expense) income	(52)	(30)	84	(71)
Income before taxes	<u>757</u>	<u>396</u>	<u>3,387</u>	<u>1,617</u>
Income tax expense	(310)	(114)	(1,307)	(543)
Net income	<u>\$ 447</u>	<u>\$ 282</u>	<u>\$ 2,080</u>	<u>\$ 1,074</u>
Net income per Common Share:				
Basic	<u>\$ 0.02</u>	<u>\$ 0.01</u>	<u>\$ 0.09</u>	<u>\$ 0.05</u>
Diluted	<u>\$ 0.02</u>	<u>\$ 0.01</u>	<u>\$ 0.08</u>	<u>\$ 0.04</u>
Weighted-average number of Common Shares outstanding:				
Basic	<u>23,951,000</u>	<u>22,220,000</u>	<u>23,186,000</u>	<u>22,164,000</u>
Diluted	<u>24,698,000</u>	<u>24,679,000</u>	<u>24,589,000</u>	<u>24,666,000</u>

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

	Six Months Ended June 30,	
	2008	2007
Operating activities		
Net cash provided by (used in) operating activities	\$ 3,307	\$ (1,062)
Investing activities		
Sales of short-term investments	1,998	8,000
Purchases of property, equipment and intangible assets	(7,819)	(2,028)
Net cash (used in) provided by investing activities	(5,821)	5,972
Financing activities		
Proceeds from short-term borrowings	132	-
Issuance of deferred shares	36	1,110
Proceeds from exercise of stock options and warrants	331	785
Excess tax benefit for stock-based compensation	392	1,379
Net cash provided by financing activities	891	3,274
Effect of exchange rate fluctuations on cash	109	15
Net (decrease) increase in cash and cash equivalents	(1,514)	8,199
Cash and cash equivalents at beginning of period	30,473	24,405
Cash and cash equivalents at end of period	\$ 28,959	\$ 32,604

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

Three months ended June 30, 2008	Nitrogen Oxide Reduction	Fuel Treatment Chemical	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

Three months ended June 30, 2007	Nitrogen Oxide Reduction	Fuel Treatment Chemical	Other	Total
Revenues 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

Six months ended June 30, 2008	Nitrogen Oxide Reduction	Fuel Treatment Chemical	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

Six months ended June 30, 2007	Nitrogen Oxide Reduction	Fuel Treatment Chemical	Other	Total
Revenues 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

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>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues:				
United States	\$ 16,442	\$ 11,584	\$ 35,526	\$ 25,591
Foreign	2,349	4,626	3,732	6,881
	<u>\$ 18,791</u>	<u>\$ 16,210</u>	<u>\$ 39,258</u>	<u>\$ 32,472</u>

FUEL TECH, INC.
2008 FAS 123R EXPENSES
ACTUAL / ESTIMATED SUMMARY OF EXPENSES
(Unaudited)
(in thousands)

	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>	<u>Total</u>
FAS 123R Expense Pre-Tax	\$ 1,102	\$ 2,011	\$ 1,350	\$ 1,350	\$ 5,813*
FAS 123R Expense After-Tax	\$ 746	\$ 1,327	\$ 850	\$ 850	\$ 3,773*

* The 2008 FAS 123R amounts include actual amounts through the second quarter of 2008 and estimated amounts for the third and fourth quarters of 2008.