

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2005

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number: 000-21724

FUEL-TECH N.V.

(Exact name of registrant as specified in its charter)

Netherlands Antilles
(State of Incorporation)

N.A.
(I.R.S. Employer
Identification No.)

Fuel-Tech N.V.
(Registrant)

Fuel Tech, Inc.
(U.S. Operating Subsidiary)

Castorweg 22-24
Curaçao, Netherlands Antilles
(599) 9-461-3754

695 East Main Street A-1
Stamford, CT 06901
(203) 425-9830

(Address and telephone number of principal executive offices)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in rule 12b-2 under the Securities Exchange Act of 1934).

Yes No

As of October 20, 2005, there were outstanding 20,225,883 shares of Common Stock, par value \$0.01 per share, of the registrant.

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FUEL-TECH N.V.

Form 10-Q for the nine-month period ended September 30, 2005

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

FUEL-TECH N.V.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands of U.S. dollars, except share data)

	September 30, 2005 <u>(Unaudited)</u>	December 31, 2004
Assets		
Current assets:		
Cash and cash equivalents	\$ 11,761	\$ 6,531
Accounts receivable, net	9,717	7,358
Deferred income taxes	1,110	500
Prepaid expenses and other current assets	<u>1,160</u>	<u>1,271</u>
Total current assets	23,748	15,660
Equipment, net of accumulated depreciation of \$8,313 and \$7,209, respectively	3,561	2,863
Goodwill	2,119	2,119
Other intangible assets, net of accumulated amortization of \$1,062 and \$968, respectively	1,274	1,342
Deferred income taxes	897	1,144
Other assets	<u>800</u>	<u>700</u>
Total assets	<u>\$ 32,399</u>	<u>\$ 23,828</u>
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	\$ 4,115	\$ 2,705
Accrued expenses	<u>3,353</u>	<u>1,663</u>
Total current liabilities	7,468	4,368
Other liabilities	<u>474</u>	<u>505</u>
Total liabilities	7,942	4,873
Shareholders' equity:		
Common stock, par value \$0.01 per share, authorized 40,000,000 shares, 20,182,944 and 19,529,952 shares issued, respectively	202	195
Additional paid-in capital	89,484	88,600
Accumulated deficit	(65,485)	(70,458)
Accumulated other comprehensive (loss) income	(26)	86
Nil coupon perpetual loan notes	<u>282</u>	<u>532</u>
Total shareholders' equity	24,457	18,955
Total liabilities and shareholders' equity	<u>\$ 32,399</u>	<u>\$ 23,828</u>

See notes to condensed consolidated financial statements.

FUEL-TECH N.V.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(in thousands of U.S. dollars, except share data)

	Three Months Ended September 30		Nine Months Ended September 30	
	2005	2004	2005	2004
Net sales	\$12,821	\$ 9,577	\$ 36,652	\$ 23,081
Costs and expenses:				
Cost of sales	6,467	4,813	18,917	12,225
Selling, general and administrative	4,121	3,435	11,930	9,763
Research and development	253	322	913	895
	<u>10,841</u>	<u>8,570</u>	<u>31,760</u>	<u>22,883</u>
Operating income	1,980	1,007	4,892	198
Other expense	<u>(18)</u>	<u>(6)</u>	<u>(110)</u>	<u>(36)</u>
Income before taxes	1,962	1,001	4,782	162
Income tax (expense) benefit	<u>(914)</u>	<u>-</u>	<u>191</u>	<u>-</u>
Net income	<u>\$ 1,048</u>	<u>\$ 1,001</u>	<u>\$ 4,973</u>	<u>\$ 162</u>
Net income per Common Share:				
Basic	<u>\$.05</u>	<u>\$.05</u>	<u>\$.25</u>	<u>\$.01</u>
Diluted	<u>\$.05</u>	<u>\$.05</u>	<u>\$.22</u>	<u>\$.01</u>
Average number of Common Shares outstanding:				
Basic	<u>20,139,000</u>	<u>19,519,000</u>	<u>19,938,000</u>	<u>19,512,000</u>
Diluted	<u>23,143,000</u>	<u>22,149,000</u>	<u>22,840,000</u>	<u>22,127,000</u>

See notes to condensed consolidated financial statements.

FUEL-TECH N.V.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands of U.S. dollars)

	Nine Months Ended September 30	
	2005	2004
Operating activities		
Net cash provided by (used in) operating activities	<u>\$ 6,587</u>	<u>\$ (611)</u>
Investing activities		
Proceeds from sale of equipment	-	6
Purchases of equipment and patents	<u>(1,884)</u>	<u>(1,926)</u>
Net cash used in investing activities	<u>(1,884)</u>	<u>(1,920)</u>
Financing activities		
Exercise of stock options	<u>639</u>	<u>21</u>
Net cash provided by financing activities	<u>639</u>	<u>21</u>
Effect of exchange rate fluctuations on cash	<u>(112)</u>	<u>(21)</u>
Net increase (decrease) in cash and cash equivalents	5,230	(2,531)
Cash and cash equivalents at beginning of period	<u>6,531</u>	<u>7,812</u>
Cash and cash equivalents at end of period	<u><u>\$ 11,761</u></u>	<u><u>\$ 5,281</u></u>

See notes to condensed consolidated financial statements.

FUEL-TECH N.V.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2005
(Unaudited)

Note A: *Basis of Presentation*

The accompanying unaudited, condensed, consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the results of operations for the periods covered have been included. Operating results for the nine-month period ended September 30, 2005 are not necessarily indicative of the results that may be expected for the year ending December 31, 2005.

The balance sheet at December 31, 2004 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

For further information, refer to the consolidated financial statements and footnotes thereto included in Fuel-Tech N.V.'s Annual Report on Form 10-K for the year ended December 31, 2004.

Fuel-Tech N.V., through its subsidiaries ("Fuel Tech"), is a technology company active in the business of air pollution control and fuel treatment chemicals. Fuel Tech, incorporated in 1987 under the laws of the Netherlands Antilles, is registered at Castorweg 22--24 in Curaçao under No. 1334/N.V.

Note B: Earnings Per Share Data

Basic earnings per share excludes the dilutive effects of stock options and warrants and of the nil coupon non-redeemable convertible unsecured loan notes. Diluted earnings per share includes the dilutive effect of stock options and warrants and of the nil coupon non-redeemable convertible unsecured loan notes. The following table sets forth the weighted-average shares (in thousands) used in calculating the earnings per share for the three and nine-month periods ended September 30, 2005 and 2004:

	Three months ended September 30		Nine months ended September 30	
	2005	2004	2005	2004
Basic weighted-average shares	20,139	19,519	19,938	19,512
Conversion of unsecured loan notes	46	85	63	85
Unexercised options and warrants	2,958	2,545	2,839	2,530
Diluted weighted-average shares	<u>23,143</u>	<u>22,149</u>	<u>22,840</u>	<u>22,127</u>

Note C: Total Comprehensive Income

Total comprehensive income for Fuel Tech is comprised of net income and the impact of foreign currency translation as follows:

(in thousands of U.S. dollars)	For the three months ended September 30		For the nine months ended September 30	
	2005	2004	2005	2004
Comprehensive income:				
Net income	\$ 1,048	\$ 1,001	\$ 4,973	\$ 162
Foreign currency translation	6	8	(112)	(21)
	<u>\$ 1,054</u>	<u>\$ 1,009</u>	<u>\$ 4,861</u>	<u>\$ 142</u>

Note D: Derivative Financial Instruments

Foreign Currency Risk Management:

Fuel Tech's earnings and cash flow are subject to fluctuations due to changes in foreign currency exchange rates. Fuel Tech does not enter into foreign currency forward contracts or into foreign currency option contracts to manage this risk due to the immaterial nature of the transactions involved.

Note E: Stock-Based Compensation

Fuel Tech accounts for stock option grants in accordance with Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees." Under Fuel Tech's current plan, options may be granted at not less than the fair market value on the date of grant, and therefore, no compensation expense is recognized for the stock options granted.

If compensation expense for Fuel Tech's plans had been determined based on the fair value at the grant dates for awards under its plans, consistent with the method described in SFAS No. 123, "Accounting for Stock-Based Compensation," Fuel Tech's net income and income per share would have been adjusted as follows for the three and nine-month periods ended September 30, 2005 and 2004:

(in thousands of U.S. dollars, except share data)	Three months ended September 30		Nine months ended September 30	
	2005	2004	2005	2004
Net Income (loss):				
As reported	\$1,048	\$ 1,001	\$4,973	\$ 162
As adjusted	850	841	4,243	(428)
Basic and diluted income (loss) per share:				
Basic - as reported	\$.05	\$.05	\$.25	\$.01
Basic - as adjusted	\$.04	\$.04	\$.21	\$ (.02)
Diluted – as reported	\$.05	\$.05	\$.22	\$.01
Diluted – as adjusted	\$.04	\$.04	\$.19	\$ (.02)

The application of the "As adjusted" disclosures presented above are not representative of the effects SFAS No. 123 may have on such operating results in future years due to the timing of stock option grants and considering that options vest over a period of immediately to four years.

In December 2004, the Securities and Exchange Commission issued SFAS No. 123 (revised 2004), "Share-Based Payment," (SFAS No. 123R). SFAS No. 123R eliminates the intrinsic value method under APB No. 25, and requires Fuel Tech to use a fair-value based method of accounting for share-based payments. Under APB No. 25, no compensation cost related to stock options is recognized in the Consolidated Statements of Operations. SFAS No. 123R requires that compensation cost for employee services received in exchange for an award of equity instruments be recognized in the Consolidated Statements of Operations based on the grant-date fair value of that award. That cost recognized at the grant-date will be amortized in the Consolidated Statements of Operations over the period during which an employee is required to provide service in exchange for that award (requisite service period). The provisions of SFAS No. 123R are effective as of the first interim period that begins after June 15, 2005. On April 14, 2005, the Securities and Exchange Commission announced that it would permit companies to delay implementation of SFAS No. 123R to the beginning of their next fiscal year. The Company currently plans to implement the revised standard on January 1, 2006. The Company is still evaluating the impact and has the option to use the modified prospective or modified retrospective methods upon adoption of SFAS No. 123R.

Note F: Debt

Fuel Tech, Inc. (FTI) has a \$15.0 million revolving credit facility expiring July 31, 2006, which is collateralized by all personal property owned by FTI. FTI can use this facility for cash advances and standby letters of credit. Cash advances under this facility bear interest based on the following:

- The Bank Prime Rate reduced by a range of zero to 50 basis points, or
- The Bank Interbank Offering Rate increased by a range of 200 to 250 basis points

Fuel Tech can choose which rate to apply to borrowings. At September 30, 2005, there were no borrowings outstanding on the facility.

Note G: Discontinuation of ACUITIV™ Business

Effective March 1, 2005, Fuel Tech announced that it would discontinue commercialization activities associated with its ACUITIV visualization software business. The software will continue to be maintained and utilized internally on a prospective basis because it is an essential tool in the design, marketing and sale of Fuel Tech's Nitrogen Oxide (NOx) reduction and FUEL CHEM® product applications.

As part of the cessation of activities, Fuel Tech terminated three individuals, and a charge of \$31,000 for severance obligations was recorded in the "Selling, general and administrative" expense line item in the condensed consolidated statement of operations for the nine-month period ended September 30, 2005.

In addition, effective December 31, 2004, patent assets related to the ACUITIV visualization software business were deemed impaired. The impact of the impairment loss for Fuel Tech was \$88,000 and was recorded in the "Other expense" line item in the consolidated statements of operations for the year ended December 31, 2004.

Note H: Business Segment and Geographic Disclosures

Fuel Tech is organized into three reportable segments, two that provide advanced engineering solutions for the optimization of combustion systems in utility and industrial applications, and one that markets and sells visualization software.

The two segments that comprise the advanced engineering solutions product offerings are as follows:

- The NOx reduction technology segment, which includes the NOxOUT®, NOxOUT CASCADE®, NOxOUT ULTRA® and NOxOUT SCR® processes for the reduction of NOx emissions in flue gas from boilers, incinerators, furnaces and other stationary combustion sources, and
- The fuel treatment chemical segment, which uses chemical processes for the control of slagging, fouling, and corrosion and for plume abatement in furnaces and boilers through the addition of chemicals into the fuel or by Targeted In-Furnace Injection (TIFI).

As described in Note G above, the segment that markets and sells visualization software was discontinued in the quarter ending March 31, 2005. The visualization software segment does not meet the materiality test for disclosure and is aggregated in "Other" below. In addition, "Other" also includes those profit and loss items not allocated by Fuel Tech to each reportable segment. Lastly, there are no intersegment sales that require elimination.

Fuel Tech evaluates performance and allocates resources based on reviewing gross margin by reportable segment. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. Fuel Tech does not review assets by reportable segment, but rather, in aggregate for Fuel Tech as a whole.

Information about reporting segment net sales and gross margin are provided below in thousands of U.S. dollars:

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

Three months ended September 30, 2004	Nitrogen Oxide Reduction	Fuel Treatment Chemical	Other	Total
Net sales from external customers	\$ 4,395	\$ 5,178	\$ 4	\$ 9,577
Cost of sales	2,485	2,238	90	4,813
Gross margin	1,910	2,940	(86)	4,764
Selling, general and administrative	-	-	3,435	3,435
Research and development	-	-	322	322
Operating income (loss)	\$ 1,910	\$ 2,940	\$(3,843)	\$ 1,007

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

Nine months ended September 30, 2004	Nitrogen Oxide Reduction	Fuel Treatment Chemical	Other	Total
Net sales from external customers	\$ 10,549	\$12,522	\$ 10	\$ 23,081
Cost of sales	5,946	6,064	215	12,225
Gross margin	4,603	6,458	(205)	10,856
Selling, general and administrative	-	-	9,763	9,763
Research and development	-	-	895	895
Operating income (loss)	\$ 4,603	\$ 6,458	\$(10,863)	\$ 198

Information concerning Fuel Tech's operations by geographic area is provided below in thousands of U.S. dollars. Revenues are attributed to countries based on the location of the customer. Assets are those directly associated with operations of the geographic area.

	Three months ended September 30		Nine months ended September 30	
	2005	2004	2005	2004
Revenues:				
United States	\$ 10,837	\$ 8,807	\$ 30,552	\$ 19,736
Foreign	1,984	770	6,100	3,345
	<u>\$ 12,821</u>	<u>\$ 9,577</u>	<u>\$ 36,652</u>	<u>\$ 23,081</u>
	September 30, 2005	December 31, 2004		
Assets:				
United States	\$ 28,955	\$ 21,641		
Foreign	3,444	2,187		
	<u>\$ 32,399</u>	<u>\$ 23,828</u>		

Note I: Income Taxes

For the three months ended September 30, 2005, Fuel Tech recorded tax expense of \$914,000. This amount is comprised of \$793,000 in deferred tax expense and \$121,000 in current state income tax expense.

On a year-to-date basis, Fuel Tech recorded a tax benefit of \$191,000. The tax benefit is comprised of \$1,837,000 in deferred tax expense, \$172,000 in current state income tax expense and a deferred tax benefit of \$2,200,000 recorded at June 30, 2005 resulting from a reduction in the deferred tax asset valuation allowance. The reduction in the deferred tax asset valuation allowance represented the anticipated utilization of net operating loss carryforwards in subsequent periods. Based on a review of both historical and projected taxable income at the end of June 30, 2005, Fuel Tech concluded that it was more likely than not that some portion of the net operating losses would be utilized in subsequent periods and that a reduction in the deferred tax valuation allowance was required.

At December 31, 2004, Fuel Tech recorded a \$1,500,000 reduction in the deferred tax asset valuation allowance, which represented the anticipated utilization of net operating loss carryforwards in subsequent periods. Based on a review of both historical and projected taxable income, Fuel Tech had concluded that it was more likely than not that some portion of the net operating losses would be utilized in subsequent periods and that a reduction in the deferred tax valuation allowance was required. No provision for federal or state income taxes was recorded during the three or nine-month periods ended September 30, 2004 due to the existence of net operating loss carryforwards.

FUEL-TECH N.V.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Net sales for the three months ended September 30, 2005 and 2004 were \$12,821,000 and \$9,577,000, respectively, while net sales for the nine months ended September 30, 2005 and 2004 were \$36,652,000 and \$23,081,000, respectively. The year to date increase is due to a \$12,454,000 increase in revenues derived from the nitrogen oxide (NOx) reduction business. This business segment, which began to show increased strength in the second half of 2004, continues to experience a robust period of order activity. Utilities and industrial facilities that are impacted by the Environmental Protection Agency's (EPA) State Implementation Plan (SIP) Call regulation are continuing to prove that Fuel Tech's technology is a viable tool in their ongoing regulatory compliance planning. Fuel Tech continues to work towards developing alliance agreements with critical customers looking to finalize their compliance plans.

The fuel treatment chemical business segment generated revenues of \$13,644,000 for the nine months ended September 30, 2005 versus \$12,522,000 in the comparable period of 2004. Although this represents nine percent growth, revenues were hampered by the following circumstances in the first nine months of the year:

- Demonstration programs- there were four demonstration programs during the first nine months of the year that have not yielded full commercial revenues. One was a no-cost demonstration at a critical coal-fired utility and one was a demonstration at a large coal-fired facility offered at fifty percent of commercial value. The other two demonstrations were structured on a cost-share basis, one on a coal-fired unit and one on an oil-fired unit. Under cost-share arrangements, during the demonstration period, Fuel Tech will invoice the customer at a specified percentage of the commercial price. At the end of the demonstration, if Fuel Tech meets the criteria for success that were established for the program, Fuel Tech will invoice the customer for the remaining percentage of the commercial price. These latter two demonstrations are expected to reach their evaluation date in the fourth quarter.
- Coal supply chain issues- during the first nine months of the year one critical Western-coal fired utility unit significantly and unexpectedly reduced capacity for an extended period due to transportation related shortages of Western coal deliveries to the plant. Rail disruptions in the Powder River Basin have impacted several utilities, while maintenance and repair work on key rail lines is expected to impact coal shipments in several parts of the country for the remainder of the year.
- Oil pricing- the high price of oil has resulted in reduced oil-fired electricity generation in the United States. Fuel Tech's oil-fired business was negatively impacted by this market dynamic, particularly during the first half of the year when cooler weather forced higher-cost electricity generating capacity to be curtailed.

Fuel Tech's TIFI technology alleviates the slagging and fouling issues associated with burning coals that are high in low-melting-point ash constituents, such as sodium. More than half of the coal burned today to generate electricity is Western coal and it is Western coal that has higher levels of low-melting-point ash constituents.

Due to its lower cost and lower pollutant content relative to Eastern coals, and despite the rail issues noted above, it is anticipated that Western coals will be burned in larger quantities and in an increasing number of facilities. Consequently, the penetration of the Western coal-fired utility market remains the top priority for this business segment.

Cost of sales as a percentage of net sales for the three-month periods ended September 30, 2005 and 2004 was 50%. On a year-to-date basis the cost of sales percentage is 52% and 53%, respectively, for 2005 and 2004. The improvement in the cost of sales percentage on a year-to-date basis is primarily attributable to the nitrogen oxide business, where the percentage decreased to 51% in 2005 from 56% in 2004. The decrease is attributable to the mix of project business.

Selling, general and administrative expenses for the three months ended September 30, 2005 and 2004 were \$4,121,000 and \$3,435,000, respectively, while these expenses for the nine months ended September 30, 2005 and 2004 were \$11,930,000 and \$9,763,000, respectively. The increase is primarily attributable to human resource-related expenses as staffing levels were increased in several areas in anticipation of overall business growth. Revenue-related expenses attributable to both business segments also contributed to the increase, as did increases in audit and legal fees to a lesser degree.

Research and development expenses for the three months ended September 30, 2005 and 2004 were \$253,000 and \$322,000, respectively, while these expenses for the nine months ended September 30, 2005 and 2004 were \$913,000 and \$895,000, respectively. Fuel Tech continues to pursue commercial applications for its technologies outside of its traditional markets, from both an industrial and geographical perspective. In the first quarter of 2005, Fuel Tech funded a successful demonstration of its TIFI technology in Mexico with a research facility owned by the Mexican government.

The decline in other income and expense for the nine months ended September 30, 2005 versus the prior year is due principally to the impact of foreign currency translation.

For the three months ended September 30, 2005, Fuel Tech recorded tax expense of \$914,000. This amount is comprised of \$793,000 in deferred tax expense and \$121,000 in current state income tax expense.

On a year-to-date basis Fuel Tech recorded a tax benefit of \$191,000. The tax benefit is comprised of \$1,837,000 in deferred tax expense, \$172,000 in current state income tax expense and a deferred tax benefit of \$2,200,000 recorded at June 30, 2005 resulting from a reduction in the deferred tax asset valuation allowance. The reduction in the deferred tax asset valuation allowance represented the anticipated utilization of net operating loss carryforwards in subsequent periods. Based on a review of both historical and projected taxable income at the end of June 30, 2005, Fuel Tech concluded that it was more likely than not that some portion of the net operating losses would be utilized in subsequent periods and that a reduction in the deferred tax valuation allowance was required.

At December 31, 2004, Fuel Tech recorded a \$1,500,000 reduction in the deferred tax asset valuation allowance, which represented the anticipated utilization of net operating loss carryforwards in subsequent periods. Based on a review of both historical and projected taxable income, Fuel Tech had concluded that it was more likely than not that some portion of the net operating losses would be utilized in subsequent periods and that a reduction in the deferred tax valuation allowance was required. No provision for federal or state income taxes was recorded during the three or nine-month periods ended September 30, 2004 due to the existence of net operating loss carryforwards.

Liquidity and Sources of Capital

On September 30, 2005, Fuel Tech had cash and cash equivalents of \$11,761,000 and working capital of \$16,280,000 versus \$6,531,000 and \$11,292,000 at the end of 2004, respectively. Operating activities provided cash of \$6,587,000 in the first nine months of 2005, primarily due to the improvement in overall business activity. Investing activities used cash of \$1,884,000 during the first nine months of 2005, largely for equipment purchases related to the fuel treatment chemical business. During the first nine months of 2005, Fuel Tech generated cash from the exercise of stock options in the amount of \$639,000.

Forward-Looking Statements

Statements in this Form 10-Q that are not historical facts, so-called “forward-looking statements,” are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that all forward-looking statements involve risks and uncertainties, including those detailed in Fuel Tech’s filings with the Securities and Exchange Commission. See “Risk Factors of the Business” in Item 1, “Business,” and also Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Fuel Tech’s Form 10-K for the year ended December 31, 2004.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Foreign Currency Risk Management:

Fuel Tech’s earnings and cash flow are subject to fluctuations due to changes in foreign currency exchange rates. Fuel Tech does not enter into foreign currency forward contracts or into foreign currency option contracts to manage this risk due to the immaterial nature of the transactions involved.

Item 4. Controls and Procedures

Fuel Tech maintains disclosure controls and procedures and internal controls designed to ensure that information required to be disclosed in Fuel Tech’s filings under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms. Fuel Tech’s management, with the participation of its principal executive and financial officers, has evaluated the effectiveness of Fuel Tech’s disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Fuel Tech’s principal executive and financial officers have concluded, based on such evaluation, that such disclosure controls and procedures were effective for the purpose for which they were designed as of the end of such period.

In performing the evaluation of internal controls as of December 31, 2004, one instance was found where the procedures and controls were insufficient to ensure that infrequent or unusual business transactions, such as lease agreements, are analyzed, recorded, and monitored in the context of authoritative accounting guidance such that these transactions are recognized in accordance with generally accepted accounting principles. Rent expense during 2004 was understated due to the accounting treatment for a “free rent” period that was provided in its lease agreement for its corporate headquarters. Fuel Tech had recorded rent expense in accordance with the required rental payment schedule in the lease, rather than amortizing the total minimum lease payments over the full term of the lease. The adjustment for additional rent expense of \$123,000 was recorded subsequent to the press release issued on Thursday, March 3, 2005. Fuel Tech has only one other building lease agreement.

To remediate the material weakness that was recognized in Fuel Tech’s internal control over financial reporting, Fuel Tech implemented additional review procedures over the factors affecting infrequent or unusual business transactions, including lease agreements. These additional procedures include inquiries of all management personnel that can legally bind Fuel Tech to infrequent or unusual business transactions. If the inquiries reveal that Fuel Tech has entered into infrequent or unusual business transactions, such transactions are documented, analyzed, recorded, and monitored in the context of authoritative accounting guidance.

Other than the addition of this procedure, there was no change in Fuel Tech’s internal control over financial reporting that was identified in connection with such evaluation that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, Fuel Tech’s internal control over financial reporting.

PART II. OTHER INFORMATION

- Item 1. Legal Proceedings
None
- Item 2. Unregistered Sales of Equity Securities and Use of Proceeds
None
- Item 3. Defaults upon Senior Securities
None
- Item 4. Submission of Matters to a Vote of Security Holders
None
- Item 5. Other Information
None
- Item 6. Exhibits
 - a. Exhibits
Exhibit 31.1 and 31.2 are filed herewith
Exhibit 32 is furnished herewith
 - b. Reports on Form 8-K

The Company filed form 8-K on August 3, 2005. This filing included the Company's financial results for the quarter and six-month period ending June 30, 2005.

The Company filed form 8-K on September 1, 2005. This filing confirmed the revenue guidance of \$45 million to \$48 million for the fiscal year 2005 earlier announced in the earnings release for the quarter and six-month period ending June 30, 2005, on August 3, 2005.

FUEL-TECH N.V.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: November 4, 2005 By: /s/ Ralph E. Bailey
Ralph E. Bailey
Chairman, Managing Director
and Chief Executive Officer

Date: November 4, 2005 By: /s/ Vincent J. Arnone
Vincent J. Arnone
Chief Financial Officer,
Vice President and
Treasurer

Exhibit 31.1

I, Ralph E. Bailey, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Fuel-Tech N.V.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 (e) and 15d-15 (e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: as of November 4, 2005

By: /s/ Ralph E. Bailey
Ralph E. Bailey
Chairman, Managing Director
and Chief Executive Officer

Exhibit 31.2

I, Vincent J. Arnone, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Fuel-Tech N.V.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 (e) and 15d-15 (e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: as of November 4, 2005

By: /s/ Vincent J. Arnone
Vincent J. Arnone
Chief Financial Officer,
Vice President and
Treasurer

Exhibit 32

The undersigned in their capacities as Chief Executive Officer and Chief Financial Officer of the Registrant do hereby certify that:

(i) this report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(ii) information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Registrant as of, and for, the periods presented in the report.

Date: November 4, 2005 By: /s/ Ralph E. Bailey
Ralph E. Bailey
Chairman, Managing Director
and Chief Executive Officer

Date: November 4, 2005 By: /s/ Vincent J. Arnone
Vincent J. Arnone
Vice President, Treasurer and
Chief Financial Officer

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (the "Act") this certification accompanies the Report and shall not, except to the extent required by the Act, be deemed filed by the Registrant for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Fuel-Tech N.V. and will be retained by Fuel-Tech N.V. and furnished to the Securities and Exchange Commission or its staff upon request.