



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

FOR IMMEDIATE RELEASE

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

**FUEL-TECH N.V. REPORTS SECOND-QUARTER RESULTS
REVENUES UP 68%; PRE-TAX INCOME SURGES 112%**

BATAVIA, Ill., Aug. 7, 2006 -- Fuel-Tech N.V. (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 ended June 30, 2006.

Net sales for the second quarter advanced 68% to \$19.8 million, up \$8.0 million from the comparable prior-year quarter. Pre-tax income totaled \$3.4 million in the current quarter, up 112% versus \$1.6 million in the comparable year-earlier quarter. Net income totaled \$2.0 million, or \$0.08 per diluted share, compared with \$3.2 million, or \$0.14 per diluted share, in the same year-ago quarter.

Net sales for the six months rose 55% to \$36.9 million, up \$13.0 million from the comparable year-earlier period. Pre-tax income totaled \$5.8 million, up 105% versus \$2.8 million in the comparable 2005 period. Net income for the six months totaled \$3.3 million, or \$0.14 per diluted share, compared with \$3.9 million, or \$0.17 per diluted share, in the same year-ago period.

The second quarter and first six months of 2006 reflect \$1.4 million and \$2.5 million in income tax expense, respectively, virtually all of which is non-cash. In contrast, net income for the second quarter and first six months of 2005 was favorably affected by the recording of a \$2.2 million non-cash tax benefit related to the anticipated utilization of net operating loss carryforwards.

The increases in net sales for the quarter and six-month period were driven by strong growth in both technology segments. The air pollution control (APC) technology segment benefited from revenues associated with two projects to be installed in the People's Republic of China and from ongoing progress in booking and fulfilling orders from a variety of domestic utility and industrial

--more--

customers. Quarterly and six-month sales for the fuel treatment chemicals technology segment also showed strong gains versus a year ago, principally as a result of new customer accounts at major coal-fired Midwestern and Southeastern U.S. utility plants. Partially offsetting these gains was the adverse effect of rising crude oil prices, which is limiting chemical application by some domestic utility customers with oil-fired generating units.

Selling, general and administrative expenses rose \$2.3 million, or 61%, and \$3.7 million, or 47%, in the second quarter and first six months of 2006, respectively. These increases reflect several factors, including greater revenue-related expenses; increased staffing levels and associated costs to support customer requirements; utilization of outside services to assist in the Company's previously announced plans to domesticate 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." These stock compensation expenses totaled \$839,000 in the second quarter and \$1,066,000 for the first six months.

John F. Norris Jr., President and Chief Executive Officer, commented, "This has been another outstanding quarter of financial performance by Fuel Tech. Not only have we achieved record revenues, but have done so for a third consecutive quarterly period. Our pre-tax income has also reached record levels, more than doubling last year's results. Each of our technology segments is performing exceedingly well as new business is won, projects are advancing towards completion and annuity revenue streams are secured. Our APC business maintains good order flow with approximately \$17 million in new announcements this year, while our FUEL CHEM[®] business continues to gain momentum with the signing of four new TIFI[™] Targeted-In-Furnace Injection[™] orders during the last two months."

Mr. Norris concluded, "Based on financial results achieved to date, coupled with our outlook for the balance of the year, we are raising our 2006 revenue outlook from \$65 - \$70 million to \$68 - \$72 million."

Conference Call

As a reminder, Fuel-Tech N.V. 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.fueltechnv.com and can be accessed on the Home page under "Quick Links". The call can also be accessed by dialing 800.291.9234 (domestic) or 617.614.3923 (international) and using the passcode "Fuel-Tech N.V." 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 "50430461". The replay will be available until August 28, 2006.

--more--

About Fuel-Tech N.V.

Fuel-Tech N.V. 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 375 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 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 80 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 N.V.'s web site at www.fueltechnv.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 N.V.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands of U.S. dollars, except share data)

	June 30, 2006	December 31, 2005
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,876	\$ 10,375
Short-term investments	16,200	6,000
Accounts receivable, net of allowances for doubtful accounts of \$150 and \$150, respectively	17,065	12,184
Inventories	181	358
Deferred income taxes	2,799	3,043
Prepaid expenses and other current assets	711	1,072
Total current assets	40,832	33,032
Equipment, net of accumulated depreciation of \$8,840 and \$7,900, respectively	4,424	4,045
Goodwill	2,119	2,119
Other intangible assets, net of accumulated amortization of \$1,147 and \$1,087, respectively	1,179	1,224
Deferred income taxes	2,146	1,579
Other assets	983	1,027
Total assets	\$ 51,683	\$ 43,026
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 7,571	\$ 6,493
Accrued liabilities	4,386	6,949
Total current liabilities	11,957	13,442
Other liabilities	475	448
Total liabilities	12,432	13,890
Shareholders' equity:		
Common stock, \$.01 par value, 40,000,000 shares authorized, 21,711,438 and 20,424,133 shares issued, respectively	217	204
Additional paid-in capital	98,284	91,559
Accumulated deficit	(59,562)	(62,870)
Accumulated other comprehensive loss	35	(39)
Nil coupon perpetual loan notes	277	282
Total shareholders' equity	39,251	29,136
Total liabilities and shareholders' equity	\$ 51,683	\$ 43,026

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

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
Net sales	\$ 19,759	\$ 11,780	\$ 36,880	\$ 23,831
Costs and expenses:				
Cost of sales	10,112	6,053	19,168	12,450
Selling, general and administrative	6,039	3,753	11,463	7,809
Research and development	499	326	850	660
	<u>16,650</u>	<u>10,132</u>	<u>31,481</u>	<u>20,919</u>
Operating income	3,109	1,648	5,399	2,912
Other income (expense), net	246	(64)	378	(92)
Income before taxes	3,355	1,584	5,777	2,820
Income tax (expense) benefit	(1,397)	1,588	(2,469)	1,105
Net income	<u>\$ 1,958</u>	<u>\$ 3,172</u>	<u>\$ 3,308</u>	<u>\$ 3,925</u>
Net income per Common Share:				
Basic	<u>\$ 0.09</u>	<u>\$ 0.16</u>	<u>\$ 0.16</u>	<u>\$ 0.20</u>
Diluted	<u>\$ 0.08</u>	<u>\$ 0.14</u>	<u>\$ 0.14</u>	<u>\$ 0.17</u>
Average number of Common Shares outstanding:				
Basic	<u>21,697,000</u>	<u>19,994,000</u>	<u>21,158,000</u>	<u>19,838,000</u>
Diluted	<u>24,230,000</u>	<u>22,750,000</u>	<u>24,004,000</u>	<u>22,672,000</u>

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

	Six Months Ended June 30	
	<u>2006</u>	<u>2005</u>
Operating activities		
Net cash used in operating activities	<u>\$ (708)</u>	<u>\$ (622)</u>
Investing activities		
Purchases of short-term investments	(10,200)	(500)
Purchases of equipment and patents	(1,333)	(1,058)
Net cash used in investing activities	<u>(11,533)</u>	<u>(1,558)</u>
Financing activities		
Exercise of stock options	2,880	396
Income tax benefit from exercise of stock options	2,788	-
Net cash provided by financing activities	<u>5,668</u>	<u>396</u>
Effect of exchange rate fluctuations on cash	<u>74</u>	<u>(118)</u>
Net decrease in cash and cash equivalents	(6,499)	(1,902)
Cash and cash equivalents at beginning of period	<u>10,375</u>	<u>4,031</u>
Cash and cash equivalents at end of period	<u>\$ 3,876</u>	<u>\$ 2,129</u>

FUEL-TECH N.V.
BUSINESS SEGMENT FINANCIAL DATA
(Unaudited)
(in thousands of U.S. dollars)

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

Three months ended June 30, 2005	Nitrogen Oxide Reduction	Fuel Treatment Chemical	Other	Total
Net sales from external customers	\$ 8,000	\$ 3,779	\$ 1	\$ 11,780
Cost of sales	4,024	1,948	81	6,053
Gross margin	3,976	1,831	(80)	5,727
Selling, general and administrative	-	-	3,753	3,753
Research and development	-	-	326	326
Operating income (loss)	\$ 3,976	\$ 1,831	\$ (4,159)	\$ 1,648

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

Six months ended June 30, 2005	Nitrogen Oxide Reduction	Fuel Treatment Chemical	Other	Total
Net sales from external customers	\$ 6,320	\$ 7,506	\$ 5	\$ 23,831
Cost of sales	8,316	3,956	178	12,450
Gross margin	8,004	3,550	(173)	11,381
Selling, general and administrative	-	-	7,809	7,809
Research and development	-	-	660	660
Operating income (loss)	\$ 8,004	\$ 3,550	\$ (8,642)	\$ 2,912

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. A third segment that marketed and sold visualization software was discontinued effective March 1, 2005 and does not meet the materiality test for disclosure. Accordingly, it is aggregated in "Other" above, along with profit and loss items not allocated by Fuel Tech to each reportable segment.

FUEL-TECH N.V.
GEOGRAPHIC INFORMATION
(Unaudited)
(in thousands of U.S. dollars)

	Three months ended June 30		Six months ended June 30	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Net sales:				
United States	\$ 13,293	\$ 9,664	\$ 26,199	\$ 19,715
Foreign	<u>6,466</u>	<u>2,116</u>	<u>10,681</u>	<u>4,116</u>
	<u>\$ 19,759</u>	<u>\$ 11,780</u>	<u>\$ 36,880</u>	<u>\$ 23,831</u>