SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(mark one)
[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Quarter Ended July 1, 2000

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number 1-11406

THERMO FIBERTEK INC.
(Exact name of Registrant as specified in its charter)

Delaware	
(State or other jurisdiction of incorporation or organization)	52-1762325 (I.R.S. Employer Identification No.)

245 Winter Street	
Waltham, Massachusetts	02451
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (781) 622-1000

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 [X] No [ ]

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practicable date.

Class	Outstanding at July 28, 2000
Common Stock, $.01 par value	61,287,524

PART I - FINANCIAL INFORMATION

Item 1 - Financial Statements

THERMO FIBERTEK INC.

Consolidated Balance Sheet
(Unaudited)

Assets

(In thousands)	July 1, 2000	January 1, 2000
Current Assets:		
Cash and cash equivalents	$ 45,773	$ 39,254
Advance to affiliate	107,819	93,780
Available-for-sale investments, at quoted market value (amortized cost of $31,420 and $46,470)	31,414	46,405
Accounts receivable, less allowances of $1,887 and $1,659	42,339	49,323
Unbilled contract costs and fees	9,412	9,570
Inventories:		
Raw materials and supplies	12,611	12,088
Work in process	5,306	6,122
Finished goods	10,681	10,697
Deferred tax asset	4,778	4,896
Other current assets	1,214	1,034
	271,347	273,169
Property, Plant, and Equipment, at Cost	69,220	67,804
Less: Accumulated depreciation and amortization	37,866	37,310
	31,354	30,494
Other Assets (Note 7)	13,714	17,044

Cost in Excess of Net Assets of Acquired Companies (Note 5)	120,968	121,870
	$437,383	$442,577

THERMO FIBERTEK INC.

Consolidated Balance Sheet (continued)
(Unaudited)

Liabilities and Shareholders' Investment

(In thousands except share amounts)	July 1, 2000	January 1, 2000
Current Liabilities:		
Current maturities of long-term obligations (Note 5)	$ 562	$ 380
Accounts payable	20,459	21,957
Accrued payroll and employee benefits	7,033	8,659
Billings in excess of contract costs and fees	1,106	4,730
Accrued warranty costs	5,128	5,005
Customer deposits	3,377	3,242
Other accrued expenses (Note 6)	17,250	20,322
Common stock of subsidiary subject to redemption ($50,100 and $49,788 redemption value)	49,942	49,160
Due to parent company and affiliated companies	1,317	1,003
	106,174	114,458
Deferred Income Taxes and Other Deferred Items	6,149	6,365
Long-term Obligations:		
Subordinated convertible debentures	153,000	153,000
Notes payable (Note 5)	1,650	1,350
	154,650	154,350
Minority Interest	3,086	3,334
Shareholders' Investment:		
Common stock, $.01 par value, 150,000,000 shares authorized; 63,563,256 and 63,537,556 shares issued	636	635
Capital in excess of par value	77,038	77,411
Retained earnings	126,711	118,380
Treasury stock at cost, 2,275,732 and 2,327,521 shares	(20,758)	(21,239)
Deferred compensation	(51)	(66)
Accumulated other comprehensive items (Note 2)	(16,252)	(11,051)
	167,324	164,070
	$437,383	$442,577

The accompanying notes are an integral part of these consolidated financial statements.

THERMO FIBERTEK INC.

Consolidated Statement of Income
(Unaudited)

(In thousands except per share amounts)	Three Months Ended July 1, 2000	Three Months Ended July 3, 1999
Revenues	$61,647	$53,549
Costs and Operating Expenses:		
Cost of revenues	38,446	31,485
Selling, general, and administrative expenses	15,702	15,154
Research and development expenses	1,953	1,842
Gain on sale of property (Note 7)	(971)	-
	55,130	48,481
Operating Income	6,517	5,068
Interest Income	2,691	2,041
Interest Expense	(1,865)	(1,845)
Income Before Provision for Income Taxes and Minority Interest	7,343	5,264
Provision for Income Taxes	3,029	2,008
Minority Interest Expense	45	245
Net Income	$ 4,269	$ 3,011
Basic and Diluted Earnings per Share (Note 3)	$ .07	$ .05
Weighted Average Shares (Note 3):		
Basic	61,283	61,168
Diluted	61,506	61,555

The accompanying notes are an integral part of these consolidated financial statements.

THERMO FIBERTEK INC.

Consolidated Statement of Income
(Unaudited)

(In thousands except per share amounts)	Six Months Ended July 1, 2000	Six Months Ended July 3, 1999
Revenues	$122,476	$113,772
Costs and Operating Expenses:		
Cost of revenues	74,874	68,272
Selling, general, and administrative expenses	31,761	30,651
Research and development expenses	3,816	3,660
Gain on sale of property (Note 7) and business	(971)	(11,099)
Restructuring and unusual costs	-	3,383
	109,480	94,867
Operating Income	12,996	18,905
Interest Income	5,194	4,007
Interest Expense	(3,755)	(3,695)
Income Before Provision for Income Taxes and Minority Interest	14,435	19,217
Provision for Income Taxes	5,910	7,493
Minority Interest Expense	194	485
Net Income	$ 8,331	$ 11,239
Basic and Diluted Earnings per Share (Note 3)	$ .14	$ .18
Weighted Average Shares (Note 3):		
Basic	61,264	61,185
Diluted	61,551	74,237

The accompanying notes are an integral part of these consolidated financial statements.

THERMO FIBERTEK INC.

Consolidated Statement of Cash Flows
(Unaudited)

(In thousands)	Six Months Ended July 1, 2000	Six Months Ended July 3, 1999
Operating Activities:		
Net income	$ 8,331	$ 11,239
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,842	4,710
Provision for losses on accounts receivable	742	5
Minority interest expense	194	485
Gain on sale of property (Note 7) and business	(971)	(11,099)
Noncash unusual costs	-	470
Other noncash items	(43)	17
Changes in current accounts, excluding the effects of acquisitions and disposition:		
Accounts receivable	4,787	3,619
Inventories and unbilled contract costs and fees	(24)	(944)
Prepaid income taxes and other current assets	108	663
Accounts payable	(775)	(2,949)
Other current liabilities	(6,668)	(445)
Net cash provided by operating activities	10,523	5,771
Investing Activities:		
Acquisition, net of cash acquired (Note 5)	(2,998)	(2,447)
Acquisition of capital equipment and technology	(1,200)	-
Proceeds from sale of property (Note 7)	3,909	-
Proceeds from sale of business, net of cash divested	-	13,537
Refund of acquisition purchase price	-	377
Advances to affiliate, net	(14,039)	(84,870)
Purchases of available-for-sale investments	(18,500)	(56,325)
Proceeds from maturities of available-for-sale investments	33,549	57,827
Purchases of property, plant, and equipment	(2,689)	(1,878)
Other, net	2	243
Net cash used in investing activities	(1,966)	(73,536)
Financing Activities:		
Purchases of Company and subsidiary common stock	-	(4,109)
Purchases of subsidiary common stock from Thermo Electron	-	(2,227)
Net proceeds from issuance of Company and subsidiary common stock	448	417
Net cash provided by (used in) financing activities	$ 448	$ (5,919)

THERMO FIBERTEK INC.

Consolidated Statement of Cash Flows (continued)
(Unaudited)

(In thousands)	Six Months Ended July 1, 2000	Six Months Ended July 3, 1999
Exchange Rate Effect on Cash	$ (2,486)	$ (569)
Increase (Decrease) in Cash and Cash Equivalents	6,519	(74,253)
Cash and Cash Equivalents at Beginning of Period	39,254	115,472
Cash and Cash Equivalents at End of Period	$ 45,773	$ 41,219
Noncash Activities (Note 5):		
Fair value of assets of acquired companies	$ 5,285	$ 4,700
Cash paid for acquired companies	(3,411)	(2,500)
Note payable for acquired companies	(795)	(1,730)
Liabilities assumed of acquired companies	$ 1,079	$ 470

The accompanying notes are an integral part of these consolidated financial statements.

THERMO FIBERTEK INC.

Notes to Consolidated Financial Statements

1. General

The interim consolidated financial statements presented have been prepared by Thermo Fibertek Inc. (the Company) without audit and, in the opinion of management, reflect all adjustments of a normal recurring nature necessary for a fair statement of the financial position at July 1, 2000, the results of operations for the three- and six-month periods ended July 1, 2000, and July 3, 1999, and the cash flows for the six-month periods ended July 1, 2000, and July 3, 1999. Interim results are not necessarily indicative of results for a full year.

The consolidated balance sheet presented as of January 1, 2000, has been derived from the consolidated financial statements that have been audited by the Company's independent public accountants. The consolidated financial statements and notes are presented as permitted by Form 10-Q and do not contain certain information included in the annual financial statements and notes of the Company. The consolidated financial statements and notes included herein should be read in conjunction with the financial statements and notes included in the Company's Annual Report on Form 10-K for the fiscal year ended January 1, 2000, filed with the Securities and Exchange Commission.

2. Comprehensive Income

Comprehensive income combines net income and "other comprehensive items," which represents certain amounts that are reported as components of shareholders' investment in the accompanying balance sheet, including foreign currency translation adjustments and unrealized net of tax gains and losses on available-for-sale investments. During the second quarter of 2000 and 1999, the Company had comprehensive income of $104,000 and $1,095,000, respectively. During the first six months of 2000 and 1999, the Company had comprehensive income of $3,120,000 and $7,748,000, respectively.

3. Earnings per Share

Basic and diluted earnings per share were calculated as follows:

	Three Months Ended		Six Months Ended	
(In thousands except per share amounts)	July 1, 2000	July 3, 1999	July 1, 2000	July 3, 1999
Basic				
Net Income	$ 4,269	$ 3,011	$ 8,331	$11,239
Weighted Average Shares	61,283	61,168	61,264	61,185
Basic Earnings per Share	$ .07	$ .05	$ .14	$ .18

3. Earnings per Share (continued)

(In thousands except per share amounts)	Three Months Ended July 1, 2000	Three Months Ended July 3, 1999	Six Months Ended July 1, 2000	Six Months Ended July 3, 1999
Diluted				
Net Income	$ 4,269	$ 3,011	$ 8,331	$11,239
Effect of:				
Convertible obligations	-	-	-	2,066
Majority-owned subsidiary's dilutive securities	(2)	(15)	(6)	(40)
Income Available to Common Shareholders, as Adjusted	$ 4,267	$ 2,996	$ 8,325	$13,265
Weighted Average Shares	61,283	61,168	61,264	61,185
Effect of:				
Convertible obligations	-	-	-	12,645
Stock options	223	387	287	407
Weighted Average Shares, as Adjusted	61,506	61,555	61,551	74,237
Diluted Earnings per Share	$ .07	$ .05	$ .14	$ .18

Options to purchase 971,000 and 894,000 shares of common stock for the second quarter of 2000 and 1999, respectively, and 930,000 and 891,000 shares of common stock for the first six months of 2000 and 1999, respectively, were not included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price for the common stock and their effect would be antidilutive.

In addition, the computation of diluted earnings per share for the 2000 periods and for the second quarter of 1999 excludes the effect of assuming the conversion of the Company's $153,000,000 principal amount of 4 1/2% subordinated convertible debentures, convertible at $12.10 per share, because the effect would be antidilutive.

4. Business Segment Information

(In thousands)	Three Months Ended July 1, 2000	Three Months Ended July 3, 1999	Six Months Ended July 1, 2000	Six Months Ended July 3, 1999
Revenues:				
Pulp and Papermaking Equipment and Systems	$ 59,903	$ 51,296	$118,007	$107,694
Dryers and Pollution-control Equipment (a)	-	-	-	1,802
Water- and Fiber-recovery Services and Products	1,746	2,253	4,479	4,327
Intersegment sales elimination (b)	(2)	-	(10)	(51)
	$ 61,647	$ 53,549	$122,476	$113,772

4. Business Segment Information (continued)

(In thousands)	Three Months Ended July 1, 2000	Three Months Ended July 3, 1999	Six Months Ended July 1, 2000	Six Months Ended July 3, 1999
Income Before Provision for Income Taxes and Minority Interest:				
Pulp and Papermaking Equipment and Systems (c)	$ 7,782	$ 6,558	$ 15,525	$ 10,515
Dryers and Pollution-control Equipment (a)(d)	-	-	-	11,554
Water- and Fiber-recovery Services and Products	(738)	(189)	(1,041)	(408)
Corporate (e)	(527)	(1,301)	(1,488)	(2,756)
Total operating income	6,517	5,068	12,996	18,905
Interest income, net	826	196	1,439	312
	$ 7,343	$ 5,264	$ 14,435	$ 19,217

(a) The Company sold this segment in February 1999.
(b) Intersegment sales are accounted for at prices that are representative of transactions with unaffiliated parties.
(c) Includes restructuring and unusual costs of $3.4 million in the first six months of 1999.
(d) Includes gain on sale of business of $11.1 million in the first six months of 1999.
(e) Includes gain on sale of property of $1.0 million in the 2000 periods; primarily general and administrative expenses in the fiscal 1999 periods.

5. Acquisition

In February 2000, the Company acquired the assets of Gauld Equipment Manufacturing Company, Inc., a manufacturer of stock-preparation accessory equipment, for $3,411,000 in cash and a $923,000 note payable in equal annual installments over four years. The liability has been recorded at its net present value of $795,000 in the accompanying July 1, 2000, balance sheet.

This acquisition has been accounted for using the purchase method of accounting and its results have been included in the Company's results from the date of acquisition. The cost of this acquisition exceeded the estimated fair value of the acquired net assets by $2,128,000, which is being amortized over 40 years. Allocation of the purchase price for this acquisition was based on an estimate of the fair value of the net assets acquired and is subject to adjustment upon finalization of the purchase price allocation. To date, no information has been gathered that would cause the Company to believe that the final allocation of the purchase price will be materially different from the preliminary estimates. Pro forma results have not been presented, as the results of the acquired business were not material to the Company's results of operations.

6. Restructuring Costs

During 1999, the Company recorded restructuring costs of $2,257,000, including severance costs of $1,283,000 for 24 employees across all functions at the Company's E. & M. Lamort, S.A. subsidiary, all of whom were terminated as of January 1, 2000, and $974,000 to terminate distributor agreements. A summary of the changes in accrued restructuring costs, which are included in other accrued expenses in the accompanying balance sheet, follows:

(In thousands)	Severance	Other	Total
Balance at January 1, 2000	$ 15	$654	$669
Usage	(15)	(18)	(33)
Currency translation	-	(68)	(68)
Balance at July 1, 2000	$ -	$568	$568

The Company expects to pay the accrued restructuring costs during the remainder of 2000.

7. Sale of Tissue Mill

During 1996, the Company loaned $6,000,000 to Tree-Free Fiber Company, LLC in connection with a proposed engineering, procurement, and construction project. This project was delayed due to weakness in pulp prices, and did not proceed as a result of Tree-Free's insolvency. Tree-Free was unable to repay the note upon its original maturity. The note and loans by another lender were secured by liens on a tissue mill in Maine and related assets. In December 1997, the Superior Court of Maine appointed a receiver to preserve and protect the collateral for the loans made by the Company and other lenders to Tree-Free. In May 1998, the Company purchased an assignment of Tree-Free's secured indebtedness to another lender for $2,910,000. In June 1998, the Company conducted a foreclosure sale of the tissue mill, at which it was the successful bidder, and executed a purchase and sale agreement. In October 1998, the stock of a mill located in Mexico, which had also secured the note, was sold and the proceeds of $1,250,000 were paid to the Company and recorded as a reduction of the carrying value of the note. During the second quarter of 1999, the Company entered into a nonbinding letter of intent with a third party to dispose of this asset for an amount in excess of the carrying value. During the third quarter of 1999, the third party elected to not proceed with the transaction. Accordingly, the Company recorded a $2,834,000 write-down to reflect the asset at its then-estimated recoverable value. The Company had previously recorded impairment on this note of $200,000 in the first quarter of 1999. In December 1999, the Company entered into a purchase and sale agreement, as amended, to sell the mill. The Company sold its interest in the mill in June 2000 for $3,909,000 in cash, resulting in a gain of $971,000.

8. Recent Accounting Pronouncement

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) 101, "Revenue Recognition in Financial Statements." SAB 101 includes requirements for when shipments may be recorded as revenue when the terms of the sale include customer acceptance provisions or an obligation of the seller to install the product. In such instances, SAB 101 generally requires that revenue recognition occur at completion of installation and/or upon customer acceptance. SAB 101 requires that companies conform their revenue recognition practices to the requirements therein no later than the fourth quarter of calendar 2000 through recording a cumulative net of tax effect of the change in accounting as of January 2, 2000. The Company has not yet completed the analysis to determine the effect that SAB 101 will have on its financial statements.

9. Proposed Spin Off

On January 31, 2000, Thermo Electron Corporation announced that, as part of a major reorganization plan, it plans to spin off its equity interest in the Company as a dividend to Thermo Electron shareholders. The distribution is subject to receipt of a favorable ruling from the Internal Revenue Service regarding the tax treatment of the spin off, and other customary conditions. If these conditions are met, the Company expects the transaction to occur in early 2001. Following the spin off, Thermo Electron will continue to guarantee, on a subordinated basis, the Company's $153,000,000 principal amount of 4 1/2% subordinated convertible debentures due 2004 and any remaining obligation of Thermo Fibergen Inc. under its redemption rights.

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

Forward-looking statements, within the meaning of Section 21E of the Securities Exchange Act of 1934, are made throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, the words "believes," "anticipates," "plans," "expects," "seeks," "estimates," and similar expressions are intended to identify forward-looking statements. There are a number of important factors that could cause the results of the Company to differ materially from those indicated by such forward-looking statements, including those detailed under the heading "Forward-looking Statements" in Exhibit 13 to the Company's Annual Report on Form 10-K for the fiscal year ended January 1, 2000, filed with the Securities and Exchange Commission.

Overview

The Company operates in two segments: Pulp and Papermaking Equipment and Systems and Water- and Fiber-recovery Services and Products. The Company's Pulp and Papermaking Equipment and Systems (Papermaking Equipment) segment designs and manufactures stock-preparation equipment, paper machine accessories, and water-management systems for the paper and paper recycling industries. Principal products manufactured by this segment include custom-engineered systems and equipment for the preparation of wastepaper for conversion into recycled paper; accessory equipment and related consumables important to the efficient operation of papermaking machines; and water-management systems essential for draining, purifying, and recycling process water. In May 1999, this segment acquired the outstanding stock of Arcline Products, a manufacturer of shower and doctor oscillation systems. In February 2000, this segment acquired the assets of Gauld Equipment Manufacturing Company, Inc., a manufacturer of stock-preparation accessory equipment (Note 5).

The Water- and Fiber-recovery Services and Products segment, which consists of the Company's Thermo Fibergen Inc. subsidiary, owns and operates a plant that helps the host mill close the loop in its water and solids systems on a long-term contract basis. The plant, which the Company began operating in July 1998, cleans and recycles water and long fiber for reuse in the papermaking process. In addition, through its GranTek subsidiary, Thermo Fibergen employs patented technology to produce biodegradable absorbing granules from papermaking byproducts. These granules are used as agricultural carriers, oil and grease absorbents, and cat box fillers. In October 1999, Thermo Fibergen established a subsidiary to develop, produce, and market fiber-based composites primarily for the building industry, such as fencing and siding. Thermo Fibergen owns 51% of this subsidiary.

Prior to February 1999, the Company also operated in the Dryers and Pollution-control Equipment segment, which consisted of the Company's Thermo Wisconsin Inc. subsidiary and manufactured and marketed dryers and pollution-control equipment for the printing, papermaking, and converting industries. In February 1999, the Company sold its Thermo Wisconsin subsidiary.

Overview (continued)

The Company's manufacturing facilities are principally located in the United States and France. The manufacturing facility in France is located at the Company's E. & M. Lamort, S.A. subsidiary, which manufactures stock-preparation equipment, accessories, and water-management systems.

During 1999, approximately 48% of the Company's sales were to customers outside the United States, principally in Europe. The Company generally seeks to charge its customers in the same currency as its operating costs. However, the Company's financial performance and competitive position can be affected by currency exchange rate fluctuations affecting the relationship between the U.S. dollar and foreign currencies. The Company reduces its exposure to currency fluctuations through the use of forward contracts. The Company may enter into forward contracts to hedge certain firm purchase and sale commitments denominated in currencies other than its subsidiaries' local currencies. These contracts principally hedge transactions denominated in U.S. and Canadian dollars. The purpose of the Company's foreign currency hedging activities is to protect the Company's local currency cash flows related to these commitments from fluctuations in foreign exchange rates. Because the Company's forward contracts are entered into as hedges against existing foreign currency exposures, there generally is no effect on the income statement since gains or losses on the customer contract offset gains or losses on the forward contract.

The Company's products are primarily sold to the paper industry. Generally, the financial condition of the paper industry corresponds to changes in the general economy and to a number of other factors, including paper and pulp production capacity. In early 1996, the worldwide pulp and paper industry entered a severe downcycle, which began adversely affecting the Company's business in the second half of 1996. These adverse effects continued through the first half of 1999. A number of recent signs suggest improvement, which began in the second half of 1999 and is continuing into 2000, particularly in North America. In general, prices for most paper grades are increasing, and operating rates for paper companies in North America are at a relatively high percentage of capacity. The financial condition of many pulp and paper companies appears to be improving steadily, which could lead to increased expenditures in capital equipment. However, the timing of the recovery of the paper industry's financial condition cannot be predicted.

Results of Operations

Second Quarter 2000 Compared With Second Quarter 1999

Revenues increased to $61.6 million in the second quarter of 2000 from $53.5 million in the second quarter of 1999. Arcline Products, which was acquired in May 1999, and Gauld Equipment, which was acquired in February 2000 (Note 5), added revenues of $1.5 million during the period. The unfavorable effects of currency translation due to the strengthening in value of the U.S. dollar relative to foreign currencies in countries in which the Company operates decreased revenues at the Papermaking Equipment segment by $1.8 million in 2000. Excluding the results of acquisitions and the effect of currency translation, revenues in the Company's Papermaking Equipment segment increased $8.9 million. Revenues from that segment's stock-preparation equipment product line increased $6.9 million as a result of a $7.7 million increase in sales in North America, due principally to greater export demand, offset in part by a decrease in sales in Europe, due to market weakness. Revenues from the accessories product line increased $1.5 million, principally in North America. Revenues from the water-management product line increased $0.4 million, principally in Europe. The Water- and Fiber-recovery Services and Products segment revenues decreased $0.5 million, due to decreased demand for cellulose-based products.

The gross profit margin decreased to 38% in the second quarter of 2000 from 41% in the second quarter of 1999, primarily due to a decrease at the Papermaking Equipment segment resulting from a higher proportion of lower-margin export sales at its North American stock-preparation equipment business coupled with a change in overall product mix.

Second Quarter 2000 Compared With Second Quarter 1999 (continued)

Selling, general, and administrative expenses as a percentage of revenues decreased to 25% in the second quarter of 2000 from 28% in the second quarter of 1999, primarily due to increased revenues from the stock-preparation equipment product line. Selling, general, and administrative expenses increased to $15.7 million in 2000 from $15.2 million in 1999 due to a $0.6 million charge for a customer dispute.

Research and development expenses increased slightly to $2.0 million in the second quarter of 2000, compared with $1.8 million in the second quarter of 1999.

In connection with a proposed engineering, procurement, and construction project, the Company loaned $6.0 million to Tree-Free Fiber Company, LLC (Tree-Free) during 1996 (Note 7). This project was delayed due to weakness in pulp prices, and did not proceed as a result of Tree-Free's insolvency. Tree-Free was unable to repay the note upon its original maturity. The note and loans by another lender were secured by liens on a tissue mill in Maine and related assets. In December 1997, the Superior Court of Maine appointed a receiver to preserve and protect the collateral for the loans made by the Company and other lenders to Tree-Free. In May 1998, the Company purchased an assignment of Tree-Free's secured indebtedness to another lender for $2.9 million. In June 1998, the Company was the successful bidder at a foreclosure sale of the tissue mill and executed a purchase and sale agreement. In October 1998, the stock of a mill located in Mexico, which had also secured the note, was sold and the proceeds of $1.3 million were paid to the Company and recorded as a reduction of the carrying amount of the notes. During 1999, the Company recorded a $3.0 million write-down to reflect the asset at its then-estimated recoverable value. In December 1999, the Company entered into a purchase and sale agreement, as amended, to sell the mill. The Company sold its interest in the mill in June 2000 for $3.9 million in cash, resulting in a gain of $1.0 million.

Interest income increased to $2.7 million in the second quarter of 2000 from $2.0 million in the second quarter of 1999, primarily due to higher interest rates. Interest expense was relatively unchanged at $1.9 million in 2000 and $1.8 million in 1999.

The effective tax rate was 41% in the second quarter of 2000, compared with 38% in the second quarter of 1999. The effective tax rate exceeded the statutory federal income tax rate primarily due to the impact of state income taxes. The effective tax rate was higher in 2000 primarily due to increased earnings in jurisdictions with higher tax rates.

Minority interest expense primarily represents accretion of Thermo Fibergen's common stock subject to redemption, offset in part by the minority investor's share of losses in Thermo Fibergen's majority-owned subsidiary.

First Six Months 2000 Compared With First Six Months 1999

Excluding the results of Thermo Wisconsin, which was sold in February 1999, revenues increased to $122.5 million in the first six months of 2000 from $112.0 million in the first six months of 1999. Thermo Wisconsin's revenues to external customers were $1.8 million in 1999. Arcline Products, which was acquired in May 1999, and Gauld Equipment, which was acquired in February 2000 (Note 5), added revenues of $2.6 million during the period. The unfavorable effects of currency translation due to the strengthening in value of the U.S. dollar relative to foreign currencies in countries in which the Company operates decreased revenues at the Papermaking Equipment segment by $3.3 million in 2000. Excluding the results of acquisitions and the effect of currency translation, revenues in the Company's Papermaking Equipment segment increased $11.1 million. Revenues from that segment's stock-preparation equipment product line increased $8.5 million as a result of a $14.0 million increase in sales in North America, due principally to greater export demand, offset in part by a decrease in sales in Europe, due to market weakness. Revenues from the water-management product line increased $2.2 million, principally in North America.

First Six Months 2000 Compared With First Six Months 1999 (continued)

The gross profit margin decreased to 39% in the first six months of 2000 from 40% in the first six months of 1999. The gross profit margin decreased at the Papermaking Equipment segment, primarily due to a change in product mix that resulted largely from a higher proportion of lower-margin export sales at its North American stock-preparation equipment business.

Selling, general, and administrative expenses as a percentage of revenues decreased to 26% in the first six months of 2000 from 27% in the first six months of 1999, primarily due to increased revenues from the stock-preparation equipment product line.

Research and development expenses were relatively unchanged at $3.8 million in the first six months of 2000, compared with $3.7 million in the first six months of 1999.

In June 2000, the Company sold its interest in the Tree-Free mill for $3.9 million in cash, resulting in a gain of $1.0 million (Note 7).

In February 1999, the Company sold its Thermo Wisconsin subsidiary for $13.6 million in cash, resulting in a pretax gain of $11.1 million.

Restructuring and unusual costs of $3.4 million in the first six months of 1999 represents severance costs, termination of distributor agreements, the expected settlement of a contractual dispute, facility-closure costs, and write-downs for impairment of assets.

Interest income increased to $5.2 million in the first six months of 2000 from $4.0 million in the first six months of 1999, primarily due to higher interest rates, as well as higher average invested balances. Interest expense was relatively unchanged at $3.8 million in 2000 and $3.7 million in 1999.

The effective tax rate was 41% in the first six months of 2000, compared with 39% in the first six months of 1999. The effective tax rate exceeded the statutory federal income tax rate primarily due to the impact of state income taxes. The effective tax rate was higher in 2000 primarily due to increased earnings in jurisdictions with higher tax rates.

Minority interest expense primarily represents accretion of Thermo Fibergen's common stock subject to redemption, offset in part by the minority investor's share of losses in Thermo Fibergen's majority-owned subsidiary.

Liquidity and Capital Resources

Consolidated working capital was $165.2 million at July 1, 2000, compared with $158.7 million at January 1, 2000. Included in working capital are cash, cash equivalents, and available-for-sale investments of $77.2 million at July 1, 2000, compared with $85.7 million at January 1, 2000. In addition, the Company had $107.8 million and $93.8 million invested in an advance to affiliate as of July 1, 2000 and January 1, 2000, respectively. Of the total cash, cash equivalents, and available-for-sale investments at July 1, 2000, $36.8 million was held by Thermo Fibergen and the remainder was held by the Company and its wholly owned subsidiaries. Of the total advance to affiliate at July 1, 2000, $12.3 million was advanced by Thermo Fibergen, $7.2 million was advanced by the Company's Thermo Fiberprep subsidiary, and the balance was advanced by the Company. At July 1, 2000, $37.8 million of the Company's cash and cash equivalents was held by its foreign subsidiaries.

During the first six months of 2000, $10.5 million of cash was provided by operating activities. A decrease in accounts receivable provided $4.8 million of cash, primarily due to improved collection efforts as well as a decline in sales at the Company's Lamort subsidiary. A decrease in other current liabilities used $6.7 million of cash, consisting primarily of a $3.5 million decrease in billings in excess of costs and fees related to the timing of payments on long-term contracts, and $1.5 million paid for certain payroll and employee benefits accrued at year-end.

Liquidity and Capital Resources (continued)

During the first six months of 2000, the Company's investing activities, excluding available-for-sale investments and advance to affiliate activity, used $3.0 million of cash. The Company used $3.0 million, net of cash acquired, to purchase the assets of Gauld Equipment (Note 5) and $1.2 million to purchase certain capital equipment and technology for Thermo Fibergen's composites facility. In addition, the Company purchased property, plant, and equipment for $2.7 million. In June 2000, the Company sold its interest in the Tree-Free mill for $3.9 million in cash (Note 7).

During the first six months of 2000, the Company's financing activities provided $0.4 million of cash.

Subsequent to quarter-end, the Company acquired Cyclotech AB-Stockholm, a Swedish manufacturer of stock-preparation equipment, for $0.6 million in cash, subject to a post-closing adjustment.

Thermo Fibergen's common stock is subject to redemption in September 2000 or September 2001, the redemption value of which is $50.1 million. These redemption rights are guaranteed on a subordinated basis by Thermo Electron Corporation, but the Company is required to reimburse Thermo Electron if Thermo Electron makes any payment under the guarantee.

At July 1, 2000, the Company had $69.4 million of undistributed foreign earnings that could be subject to tax if remitted to the U.S. The Company does not intend to repatriate undistributed foreign earnings into the U.S., and does not expect that this will have a material adverse effect on the Company's current liquidity.

During the remainder of 2000, the Company plans to make expenditures for property, plant, and equipment of approximately $4.5 million. Included in this amount is $1.5 million for Thermo Fibergen, which intends to make capital expenditures to develop and expand its fiber-based composites business. The Company's liquidity may be adversely affected if the redemption of Thermo Fibergen's common stock occurs in the third quarter of 2000. The Company believes that its existing resources are sufficient to meet the capital requirements of its existing operations for the foreseeable future.

Item 3 - Quantitative and Qualitative Disclosures About Market Risk

The Company's exposure to market risk from changes in interest rates, equity prices, and foreign currency exchange rates has not changed materially from its exposure at year-end 1999.

PART II - OTHER INFORMATION

Item 4 - Submission of Matters to a Vote of Securities

On May 17, 2000, at the Annual Meeting of Shareholders, the shareholders elected four directors to a one-year term expiring in 2001. The directors elected at the meeting were: Mr. Francis L. McKone, Mr. Donald E. Noble, Mr. William A. Rainville, and Dr. Richard F. Syron. Mr. McKone and Dr. Syron each received 60,598,660 shares voted in favor of his election and 40,508 shares voted against. Mr. Noble received 60,598,011 shares voted in favor of his election and 41,157 shares voted against. Mr. Rainville received 60,598,073 shares voted in favor of his election and 41,095 shares voted against. No abstentions or broker nonvotes were recorded on the election of directors.

At the Annual Meeting, the shareholders also approved a proposal to amend the Company's equity incentive plan to restate the limitation on the potential size of awards to any recipient in a year in compliance with Section 162(m) of the Internal Revenue Code, as amended, as follows: 60,346,419 shares were voted in favor of the proposal, 257,660 shares were voted against, and 35,089 shares abstained. No broker nonvotes were recorded on the proposal.

Item 6 - Exhibits and Reports on Form 8-K

(a) Exhibits

See Exhibit Index on the page immediately preceding exhibits.

(b) Reports on Form 8-K

None.

THERMO FIBERTEK INC.

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 as of the 9th day of August 2000.

THERMO FIBERTEK INC.

/s/ Theo Melas-Kyriazi

Theo Melas-Kyriazi
Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

THERMO FIBERTEK INC.

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
27	Financial Data Schedule.

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM
THERMO FIBERTEK INC.'S
QUARTERLY REPORT ON FORM 10-Q FOR THE PERIOD ENDED JULY 1, 2000
AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

6-MOS
DEC-30-2000
JUL-01-2000
45,773
31,414
44,226
1,887
28,598
271,347
69,220
37,866
437,383
106,174
153,000
0
0
636
166,688
437,383
122,476
122,476
74,874
74,874
2,845
742
3,755
14,435
5,910
8,331
0
0
0
8,331
.14
.14