

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(mark one)

- Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Quarter Ended March 30, 1996.
- 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 52-1762325
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

81 Wyman Street, P.O. Box 9046 02254-9046
Waltham, Massachusetts (Zip Code)
(Address of principal executive offices)

Registrant's telephone number, including area code: (617) 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 (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes 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 April 26, 1996
-----	-----
Common Stock, \$.01 par value	40,668,398

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PART I - FINANCIAL INFORMATION

Item 1 - Financial Statements

THERMO FIBERTEK INC.

Consolidated Balance Sheet
(Unaudited)

Assets

(In thousands) March 30, December 30,
1996 1995

Current Assets:		
Cash and cash equivalents	\$ 53,898	\$ 57,028
Available-for-sale investments, at quoted market value (amortized cost of \$1,505 and \$2,781)	1,506	2,784
Accounts receivable, less allowances of \$2,541 and \$2,552	36,092	43,085
Unbilled contract costs and fees	1,941	1,921
Inventories:		
Raw materials and supplies	14,678	14,283
Work in process	6,604	7,577
Finished goods	5,943	5,242
Prepaid income taxes and other current assets	11,004	10,356
	-----	-----
	131,666	142,276
	-----	-----
Property, Plant and Equipment, at Cost	49,510	49,976
Less: Accumulated depreciation and amortization	28,865	28,767
	-----	-----
	20,645	21,209
	-----	-----
Other Assets	1,215	1,298
	-----	-----
Cost in Excess of Net Assets of Acquired Companies	34,125	34,888
	-----	-----
	\$187,651	\$199,671
	=====	=====

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THERMO FIBERTEK INC.

Consolidated Balance Sheet (continued)
(Unaudited)

Liabilities and Shareholders' Investment

	March 30,	December 30,
(In thousands except share amounts)	1996	1995

Current Liabilities:		
Accounts payable	\$ 18,227	\$ 20,747
Accrued payroll and employee benefits	8,551	11,115
Billings in excess of contract costs and fees	2,727	3,018
Customer deposits	1,929	1,598
Accrued warranty costs	10,410	9,759
Accrued income taxes (includes \$3,150 and \$1,521 due to related party)	4,338	4,430
Other accrued expenses	8,609	9,868
Due to parent company	644	10,859
	-----	-----
	55,435	71,394
	-----	-----

Deferred Income Taxes and Other Deferred Items	3,274	3,031
	-----	-----
Long-term Obligations	15,038	15,041
	-----	-----
Minority Interest	240	574
	-----	-----
Shareholders' Investment:		
Common stock, \$.01 par value, 75,000,000 shares authorized; 40,709,541 and 40,623,919 shares issued	407	406
Capital in excess of par value	65,413	65,222
Retained earnings	51,492	46,287
Treasury stock at cost, 46,343 and 33,223 shares	(991)	(446)
Cumulative translation adjustment	(2,658)	(1,840)
Net unrealized gain on available-for-sale investments	1	2
	-----	-----
	113,664	109,631
	-----	-----
	\$187,651	\$199,671
	=====	=====

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

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THERMO FIBERTEK INC.

Consolidated Statement of Income
(Unaudited)

(In thousands except per share amounts)	Three Months Ended	
	March 30, 1996	April 1, 1995
	-----	-----
Revenues (includes \$319 and \$539 from related party)	\$48,980	\$43,736
	-----	-----
Costs and Operating Expenses:		
Cost of revenues (includes \$213 and \$272 for related party revenues)	28,192	25,949
Selling, general and administrative expenses	11,741	11,602
Research and development expenses	1,273	880
	-----	-----
	41,206	38,431
	-----	-----
Royalty Income	274	231
	-----	-----
Operating Income	8,048	5,536
Interest Income	735	737
Interest Expense (includes \$131 and \$295 to related party)	(172)	(348)
	-----	-----

Income Before Provision for Income Taxes and Minority Interest Expense	8,611	5,925
Provision for Income Taxes	3,399	2,291
Minority Interest Expense	6	51
	-----	-----
Net Income	\$ 5,206	\$ 3,583
	=====	=====
Earnings per Share:		
Primary	\$.13	\$.09
	=====	=====
Fully diluted	\$.12	\$.09
	=====	=====
Weighted Average Shares:		
Primary	40,623	40,470
	=====	=====
Fully diluted	42,904	42,459
	=====	=====

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

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THERMO FIBERTEK INC.

Consolidated Statement of Cash Flows
(Unaudited)

(In thousands)	Three Months Ended	
	March 30, 1996	April 1, 1995
	-----	-----
Operating Activities:		
Net income	\$ 5,206	\$ 3,583
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,083	1,122
Provision for losses on accounts receivable	42	479
Minority interest expense	6	51
Deferred income tax expense	215	144
Gain on sale of property, plant and equipment	(314)	(19)
Changes in current accounts:		
Accounts receivable	6,577	3,954
Inventories and unbilled contract costs and fees	(391)	(1,434)
Other current assets	(684)	(241)
Accounts payable	(2,148)	2,316
Other current liabilities	(3,807)	(2,183)
	-----	-----
Net cash provided by operating activities	5,785	7,772
	-----	-----
Investing Activities:		
Redemption of Fiberprep stock	-	(12,783)
Proceeds from sale and maturities of available- for-sale investments	1,250	-
Purchases of property, plant and equipment	(663)	(506)
Proceeds from sale of property, plant and equipment	548	21
Other	143	70
	-----	-----

Net cash provided by (used in) investing activities	1,278	(13,198)
	-----	-----

Financing Activities:

Net proceeds from issuance of Company common stock	555	4
Issuance (repayment) of short-term obligation to parent company	(10,400)	10,400
Repayment of long-term obligations	(2)	(183)
	-----	-----

Net cash provided by (used in) financing activities	(9,847)	10,221
	-----	-----

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THERMO FIBERTEK INC.

Consolidated Statement of Cash Flows (continued)
(Unaudited)

(In thousands)	Three Months Ended	
	March 30, 1996	April 1, 1995
-----	-----	-----
Exchange Rate Effect on Cash	\$ (346)	\$ 818
	-----	-----
Increase (Decrease) in Cash and Cash Equivalents	(3,130)	5,613
Cash and Cash Equivalents at Beginning of Period	57,028	37,250
	-----	-----
Cash and Cash Equivalents at End of Period	\$ 53,898	\$ 42,863
	=====	=====
Cash Paid For:		
Interest	\$ 173	\$ 365
Income taxes	\$ 3,166	\$ 1,675
Noncash Activities:		
Issuance of Company common stock in connection with the redemption of Fiberprep stock	\$ -	\$ 1,428

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

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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 (a) the results of operations for the three-month periods ended March 30, 1996 and April 1, 1995, (b) the financial position at March 30, 1996, and (c) the cash flows for the three-month periods ended March 30, 1996 and April 1, 1995. Interim results are not necessarily indicative of results for a full year.

The consolidated balance sheet presented as of December 30, 1995, 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 December 30, 1995, filed with the Securities and Exchange Commission.

2. Subsequent Event

In April 1996 the Company entered into an agreement with Tree Free Fiber (Tree Free) to supply \$50.5 million in engineering, procurement, and construction services for a new paper-recycling facility, contingent upon Tree Free receiving permits and securing approximately \$80.0 million in financing. Pursuant to this agreement, the Company has loaned \$6.0 million to Tree Free which, contingent upon Tree Free receiving the aforementioned financing, will be treated as subordinated debt payable over a three-year period.

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

Description of Business

The Company designs and manufactures processing machinery and accessories for the paper and paper-recycling industries. The Company's principal products include custom-engineered systems and equipment for the preparation of wastepaper for conversion into recycled paper, and accessory equipment and related consumables important to the efficient operation of papermaking machines. Because the Company has significant foreign operations, particularly in Europe, 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.

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THERMO FIBERTEK INC.

Results of Operations

First Quarter 1996 Compared With First Quarter 1995

Revenues increased 12% to \$49.0 million in the first quarter of 1996 from \$43.7 million in the first quarter of 1995. Revenues from the Company's North American and French accessories businesses increased \$2.3

million and \$1.8 million, respectively, due principally to an increase in demand. The favorable effects of currency translation due to a weaker U.S. dollar increased revenues by \$0.6 million.

The gross profit margin increased to 42% in the first quarter of 1996 from 41% in the first quarter of 1995. Significant margin improvement at the Company's North American accessories business and at the Company's European subsidiaries was offset in part by a decrease in margins at the Company's Fiberprep subsidiary as a result of warranty reserves recorded in the first quarter of 1996 for a large de-inking project.

Selling, general and administrative expenses as a percentage of revenues decreased to 24% in the first quarter of 1996 from 27% in the first quarter of 1995, due primarily to an increase in revenues. Research and development expenses increased to \$1.3 million in the first quarter of 1996 from \$0.9 million in the first quarter of 1995, largely due to continued development in 1996 of technology to recover fiber and other valuable materials found in the residue of papermaking and paper-recycling operations.

Interest expense decreased to \$172,000 in 1996 from \$348,000 in 1995, due primarily to the January 1996 repayment of a \$10.4 million promissory note to Thermo Electron Corporation (Thermo Electron).

The effective tax rate was 39% in the first quarter of 1996 and 1995. This tax rate exceeds the statutory federal income tax rate due primarily to state income taxes, offset in part by the effect of lower foreign tax rates.

Liquidity and Capital Resources

Consolidated working capital was \$76.2 million at March 30, 1996, compared with \$70.9 million at December 30, 1995. Included in working capital are cash, cash equivalents, and available-for-sale investments of \$55.4 million at March 30, 1996, compared with \$59.8 million at December 30, 1995. Of the \$55.4 million balance at March 30, 1996, \$3.0 million was held by Fiberprep, and the remainder by the Company and its wholly owned subsidiaries. During the first quarter of 1996, \$5.8 million of cash was provided by operating activities. Cash provided by a decrease in accounts receivable was substantially offset by the effect of a reduction in accounts payable and other current liabilities. During the first quarter of 1996 the Company repaid a \$10.4 million promissory note to Thermo Electron.

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THERMO FIBERTEK INC.

Liquidity and Capital Resources (continued)

At March 30, 1996, \$18.2 million of the Company's cash and cash equivalents were held by its Lamort subsidiary. Repatriation of this cash into the United States is subject to a 5% withholding tax in France and could also be subject to a United States tax.

In the remainder of 1996, the Company plans to make capital expenditures of approximately \$3.9 million. The Company believes that its existing resources are sufficient to meet the capital requirements of its existing operations for the foreseeable future.

PART II - OTHER INFORMATION

Item 6 - Exhibits

See Exhibit Index on the page immediately preceding exhibits.

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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 3rd day of May 1996.

THERMO FIBERTEK INC.

Paul F. Kelleher

Paul F. Kelleher
Chief Accounting Officer

John N. Hatsopoulos

John N. Hatsopoulos
Chief Financial Officer

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THERMO FIBERTEK INC.

Exhibit Index

Exhibit Number	Description of Exhibit	Page
11	Statement re: Computation of earnings per share.	
27	Financial Data Schedule.	

THERMO FIBERTEK INC.

Computation of Earnings per Share

	Three Months Ended	
	March 30, 1996	April 1, 1995

Computation of Fully Diluted Earnings per Share:		
Income:		
Net income	\$ 5,206,000	\$ 3,583,000
Add: Convertible debt interest, net of tax	79,000	79,000
	-----	-----
Income applicable to common stock assuming full dilution (a)	\$ 5,285,000	\$ 3,662,000
	-----	-----
Shares:		
Weighted average shares outstanding	40,623,013	40,469,861
Add: Shares issuable from assumed conversion of subordinated convertible obligation	1,258,742	1,258,742
Shares issuable from assumed exercise of options (as determined by the application of the treasury stock method)	1,021,990	730,509
	-----	-----
Weighted average shares outstanding, as adjusted (b)	42,903,745	42,459,112
	-----	-----
Fully Diluted Earnings per Share (a) / (b)	\$.12	\$.09
	=====	=====

<ARTICLE> 5

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THERMO FIBERTEK INC.'S QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED MARCH 30, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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