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 September 28, 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 incorporation or organization)	(I.R.S. Employer Identification No.)
81 Wyman Street, P.O. Box 9046 Waltham, Massachusetts	02254-9046
(Address of principal executive offices)	(Zip Code)

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 [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 October 25, 1996
Common Stock, $.01 par value	61,097,602

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PART I - FINANCIAL INFORMATION

Item 1 - Financial Statements

THERMO FIBERTEK INC.

Consolidated Balance Sheet
(Unaudited)

Assets

(In thousands)	September 28, 1996	December 30, 1995
Current Assets:		
Cash and cash equivalents	$102,164	$ 57,028
Available-for-sale investments, at quoted market value (amortized cost of $2,781 in 1995)	-	2,784
Accounts receivable, less allowances of $2,249 and $2,552	33,672	43,085
Unbilled contract costs and fees	2,779	1,921
Inventories:		
Raw materials and supplies	13,847	14,283
Work in process	5,349	7,577
Finished goods	7,131	5,242
Prepaid income taxes	8,010	9,069
Other current assets	1,507	1,287
	174,459	142,276

Property, Plant and Equipment, at Cost	57,372	49,976
Less: Accumulated depreciation and amortization	30,598	28,767
	--------	--------
	26,774	21,209
	--------	--------
Other Assets (Note 2)	7,929	1,298
	--------	--------
Cost in Excess of Net Assets of Acquired Companies	38,779	34,888
	--------	--------
	$247,941	$199,671
	========	========

THERMO FIBERTEK INC.

Consolidated Balance Sheet (continued)
(Unaudited)

Liabilities and Shareholders' Investment

(In thousands except share amounts)	September 28, 1996	December 30, 1995
Current Liabilities:		
Accounts payable	$ 16,567	$ 20,747
Accrued payroll and employee benefits	9,846	11,115
Billings in excess of contract costs and fees	2,862	3,018
Customer deposits	1,152	1,598
Accrued warranty costs	6,582	9,759
Accrued income taxes (includes $1,665 and $1,521 due to related party)	3,337	4,430
Other accrued expenses	9,688	9,868
Due to parent company	15,712	10,859
	65,746	71,394
Deferred Income Taxes and Other Deferred Items	3,224	3,031
Long-term Obligations (includes $15,000 due to related party in 1995)	36	15,041
Minority Interest (Note 5)	4,079	574
Common Stock of Subsidiary Subject to Redemption ($60,116 redemption value) (Note 5)	55,786	-
Shareholders' Investment (Note 3):		
Common stock, $.01 par value, 75,000,000 shares authorized; 61,124,100 and 40,623,919 shares issued	611	406
Capital in excess of par value	61,007	65,222
Retained earnings	60,582	46,287
Treasury stock at cost, 29,004 and 33,223 shares	(446)	(446)
Cumulative translation adjustment	(2,684)	(1,840)
Net unrealized gain on available-for-sale investments	-	2
	119,070	109,631
	$247,941	$199,671

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 September 28, 1996	Three Months Ended September 30, 1995
Revenues (includes $1,107 and $5,788 from related party)	$46,124	$56,227
Costs and Operating Expenses:		
Cost of revenues (includes $209 and $3,651 for related party revenues)	26,173	33,959
Selling, general and administrative expenses	12,421	12,252
Research and development expenses	1,328	948
	39,922	47,159
Royalty Income	182	190
Operating Income	6,384	9,258
Interest Income	733	952
Interest Expense (includes $131 and $294 to related party)	(153)	(331)
Income Before Provision for Income Taxes and Minority Interest Expense	6,964	9,879
Provision for Income Taxes	2,724	3,831
Minority Interest Expense	27	56
Net Income	$ 4,213	$ 5,992
Earnings per Share:		
Primary	$ .07	$ .10
Fully diluted	$ .07	$ .09
Weighted Average Shares:		
Primary	61,089	60,827
Fully diluted	64,381	64,068

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)	Nine Months Ended September 28, 1996	Nine Months Ended September 30, 1995
Revenues (includes $1,781 and $13,357 from related party)	$143,699	$149,551
Costs and Operating Expenses:		
Cost of revenues (includes $662 and $8,285 for related party revenues)	82,469	89,528
Selling, general and administrative expenses	35,785	35,908
Research and development expenses	4,153	2,773
	122,407	128,209
Royalty Income	680	578
Operating Income	21,972	21,920
Interest Income	2,105	2,585
Interest Expense (includes $393 and $889 to related party)	(483)	(1,038)
Income Before Provision for Income Taxes and Minority Interest Expense	23,594	23,467
Provision for Income Taxes	9,243	9,080
Minority Interest Expense	56	184
Net Income	$ 14,295	$ 14,203
Earnings per Share:		
Primary	$ .23	$ .23
Fully diluted	$ .23	$ .23
Weighted Average Shares:		
Primary	61,015	60,759
Fully diluted	64,398	64,000

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

THERMO FIBERTEK INC.

Consolidated Statement of Cash Flows
(Unaudited)

(In thousands)	Nine Months Ended September 28, 1996	Nine Months Ended September 30, 1995
Operating Activities:		
Net income	$ 14,295	$ 14,203
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,652	3,819
Provision for losses on accounts receivable	(221)	543
Minority interest expense	56	184
Increase (decrease) in deferred income taxes	211	(241)
Other noncash items	(307)	(55)
Changes in current accounts, excluding the effects of acquisition:		
Accounts receivable	9,977	(3,108)
Inventories and unbilled contract costs and fees	(216)	(6,429)
Prepaid income taxes and other current assets	772	(545)
Accounts payable	(3,748)	5,325
Other current liabilities	(7,257)	(1,658)
Net cash provided by operating activities	17,214	12,038
Investing Activities:		
Acquisition, net of cash acquired (Note 4)	(12,028)	-
Redemption of Fiberprep stock	-	(12,783)
Proceeds from sale and maturities of available-for-sale investments	2,750	4,700
Purchases of property, plant and equipment	(3,232)	(1,865)
Other (Note 2)	(5,326)	169
Net cash used in investing activities	(17,836)	(9,779)
Financing Activities:		
Net proceeds from issuance of Company and subsidiary common stock (Note 5)	56,642	632
Issuance (repayment) of short-term obligation to parent company	(10,400)	10,400
Repayment of long-term obligations	-	(385)
Net cash provided by financing activities	$ 46,242	$ 10,647

THERMO FIBERTEK INC.

`Consolidated Statement of Cash Flows (continued)
(Unaudited)

(In thousands)	Nine Months Ended September 28, 1996	Nine Months Ended September 30, 1995
Exchange Rate Effect on Cash	$ (484)	$ 1,516
Increase in Cash and Cash Equivalents	45,136	14,422
Cash and Cash Equivalents at Beginning of Period	57,028	37,250
Cash and Cash Equivalents at End of Period	$102,164	$ 51,672
Noncash Activities:		
Issuance of Company common stock in connection with the redemption of Fiberprep stock	$ -	$ 1,428
Fair value of assets of acquired company	$ 12,606	$ -
Cash paid for acquired company	(12,099)	-
Liabilities assumed of acquired company	$ 507	$ -

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

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 September 28, 1996, the results of operations for the three- and nine-month periods ended September 28, 1996 and September 30, 1995, and the cash flows for the nine-month periods ended September 28, 1996 and September 30, 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. Long-term Contract

In connection with a proposed engineering, procurement, and construction project, the Company loaned $6.0 million to Tree-Free Fiber Company, LLC (Tree-Free). The $6.0 million note to the Company is secured by property and equipment owned by Tree-Free. This project has been delayed due to the current weakness in pulp prices and, therefore, the Company does not expect that the project will proceed in the near future and expects that the note will be repaid as a result.

3. Stock Split

All share and per share information, except for share information in the accompanying 1995 balance sheet, has been restated to reflect a three-for-two stock split, effected in the form of a 50% stock dividend, which was distributed in June 1996.

4. Acquisition

In July 1996, the Company's Thermo Fibergen Inc. (Thermo Fibergen) subsidiary acquired substantially all of the assets, subject to certain liabilities, of Granulation Technology, Inc. (Granulation Technology) and Biodac, a division of Edward Lowe Industries, Inc. for approximately $12.1 million in cash.

4. Acquisition (continued)

The acquisition has been accounted for using the purchase method of accounting and the combined results of operations of Granulation Technology and Biodac have been included in the accompanying financial statements from the date of acquisition. The cost of the acquisition exceeded the estimated fair value of the acquired net assets by approximately $4.9 million, which is being amortized over 20 years. Allocation of the purchase price for the acquisition was based on the estimated fair value of net assets acquired and is subject to adjustment. Pro forma data is not presented since the acquisition was not material to the Company's results of operations and financial position.

5. Issuance of Stock by Subsidiary

In September 1996, the Company's Thermo Fibergen subsidiary sold 4,715,000 units in an initial public offering at $12.75 per unit for net proceeds of approximately $55.8 million. Each unit consists of one share of Thermo Fibergen common stock and one redemption right which entitles the holder to sell one share of Thermo Fibergen common stock back to Thermo Fibergen during specified periods in the future. The difference between the redemption value and the original carrying amount of common stock of subsidiary subject to redemption is accreted using the straight-line method over the period ending September 2000, which corresponds with the first redemption period. The accretion is charged to minority interest expense in the accompanying statement of income. The redemption rights are guaranteed, on a subordinated basis, by Thermo Electron Corporation (Thermo Electron). The Company has agreed to reimburse Thermo Electron in the event Thermo Electron is required to make a payment under the guarantee. Following the initial public offering, the Company owned 68% of Thermo Fibergen's outstanding common stock.

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. These statements involve a number of risks and uncertainties, including those detailed in Item 5 of this Quarterly Report on Form 10-Q.

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. Prior to its acquisition of Granulation Technology, Inc. (Granulation Technology) and Biodac, a

Description of Business (continued)

division of Edward Lowe Industries, Inc., the Company's Thermo Fibergen Inc. (Thermo Fibergen) subsidiary was in the development stage and its principal business consisted of conducting research and development to commercialize equipment and systems to recover valuable materials from pulp residue generated by plants that produce virgin and recycled pulp and paper.

The Company has significant foreign operations, particularly in Europe, and therefore, 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.

Results of Operations

Third Quarter 1996 Compared With Third Quarter 1995

Revenues decreased 18% to $46.1 million in the third quarter of 1996 from $56.2 million in the third quarter of 1995. Revenues earned by the Company's Fiberprep subsidiary under a subcontract from Thermo Electron Corporation (Thermo Electron) to supply equipment and services for an office wastepaper de-inking facility decreased $4.7 million because this subcontract was substantially completed in the first quarter of 1996. Revenues from the Company's recycling business decreased $4.5 million, excluding the effect of the subcontract from Thermo Electron, due to a decrease in demand resulting from depressed de-inked pulp prices. Revenues from the Company's accessories business decreased $0.4 million. This decrease includes a $1.5 million decrease from the Company's North American business, which primarily reflects a large order shipped in the third quarter of 1995, offset in part by a $1.1 million increase from the Company's Lamort subsidiary, which was principally due to an increase in demand. Revenues at the Company's Thermo Fibergen subsidiary were $1.0 million and represent revenues from Granulation Technology and Biodac, which were acquired in July 1996. The unfavorable effects of currency translation due to a stronger U.S. dollar decreased revenues by $1.0 million.

The gross profit margin increased to 43% in the third quarter of 1996 from 40% in the third quarter of 1995, largely due to margin improvement at the Company's North American accessories business resulting primarily from an increase in direct mill sales and an increase in gross profit margin at the Company's Fiberprep subsidiary. The increase in gross profit margin at Fiberprep was primarily due to the effect of a $0.7 million payment received under the subcontract from Thermo Electron in the third quarter of 1996, which represents the Company's share of certain cost savings on the project, and a decrease in warranty provisions in the third quarter of 1996 as compared to the third quarter of 1995.

Third Quarter 1996 Compared With Third Quarter 1995 (continued)

Selling, general and administrative expenses as a percentage of revenues increased to 27% in the third quarter of 1996 from 22% in the third quarter of 1995, primarily due to the decrease in revenues.

The Company's Fiberprep subsidiary is a supplier of de-inking equipment to the general contractor for a pulp mill (unrelated to the office wastepaper de-inking facility described above). The general contractor has received notices from the mill owner alleging failure to perform and claiming liquidated damages. Although the general contractor is challenging the mill owner's claims, if the general contractor is found liable, the Company has been informed that the general contractor will seek 50% of its damages from the Company. The Company's limit of liability for any contractual disputes arising from its contract totals $6.0 million. While it is reasonably possible that resolution of this matter could have a material effect on the Company's results of operations for a particular quarter, in the opinion of management the Company's reserves for such matters are adequate and such result is not likely to occur.

Research and development expenses increased to $1.3 million in the third quarter of 1996 from $0.9 million in the third quarter of 1995, primarily due to continued development of technology by the Company's Thermo Fibergen subsidiary to recover valuable materials from pulp residue generated by plants that produce virgin and recycled pulp and paper. The Company expects Thermo Fibergen to continue to increase research and development expenses during the next fiscal year.

Interest income decreased to $0.7 million in the third quarter of 1996 from $1.0 million in the third quarter of 1995, due to a decrease in average invested balances and lower prevailing interest rates. In September 1996, the Company's Thermo Fibergen subsidiary raised approximately $55.8 million in cash from its initial public offering. The Company anticipates an increase in interest income from the invested net proceeds from the initial public offering.

Interest expense decreased to $0.2 million in the third quarter of 1996 from $0.3 million in the third quarter of 1995, primarily due to the January 1996 repayment of a $10.4 million promissory note to Thermo Electron.

The effective tax rate was 39% in the third quarter of 1996 and 1995. The effective 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.

First Nine Months 1996 Compared With First Nine Months 1995

Revenues decreased 4% to $143.7 million in the first nine months of 1996 from $149.6 million in the first nine months of 1995. Revenues earned by the Company's Fiberprep subsidiary under the subcontract from Thermo Electron decreased $11.6 million as discussed in the results of operations for the third quarter. Revenues from the Company's recycling

First Nine Months 1996 Compared With First Nine Months 1995 (continued)

business decreased $3.6 million, excluding the effect of the subcontract from Thermo Electron, due to a decrease in demand resulting from depressed de-inked pulp prices. Revenues from the Company's North American and Lamort subsidiaries' accessories businesses increased $4.4 million and $4.2 million, respectively, due principally to an increase in demand. The unfavorable effects of currency translation due to a stronger U.S. dollar decreased revenues by $1.3 million.

The gross profit margin increased to 43% in the first nine months of 1996 from 40% in the first nine months of 1995. Margins improved at the Company's Lamort subsidiary's accessories business primarily due to a change in product mix, and at the Company's North American accessories business primarily due to an increase in direct mill sales. These improvements were offset in part by a decrease in margins at the Company's Fiberprep subsidiary primarily due to a decrease in revenues, offset in part by the effect of a $0.7 million payment received under the subcontract from Thermo Electron.

Selling, general and administrative expenses as a percentage of revenues increased to 25% in the first nine months of 1996 from 24% in the first nine months of 1995, primarily due to a decrease in revenues.

Research and development expenses increased to $4.2 million in the first nine months of 1996 from $2.8 million in the first nine months of 1995 for the reason discussed in the results of operations for the third quarter, as well as increased new product development in the Company's water-management business.

Interest income decreased to $2.1 million in the first nine months of 1996 from $2.6 million in the first nine months of 1995, primarily due to lower prevailing interest rates. Interest expense decreased to $0.5 million in the first nine months of 1996 from $1.0 million in the first nine months of 1995, primarily due to the January 1996 repayment of a $10.4 million promissory note to Thermo Electron.

The effective tax rate was 39% in the first nine months of 1996 and 1995. The effective 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 $108.7 million at September 28, 1996, compared with $70.9 million at December 30, 1995. Included in working capital are cash, cash equivalents, and available-for-sale investments of $102.2 million at September 28, 1996, compared with $59.8 million at December 30, 1995. Of the $102.2 million balance at September 28, 1996, $57.6 million was held by Thermo Fibergen and $1.6 million was held by Fiberprep, with the remainder being held by the Company and its wholly owned subsidiaries. At September 28, 1996, $21.6 million of the Company's cash and cash equivalents were held by its Lamort subsidiary.

Liquidity and Capital Resources (continued)

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.

During the first nine months of 1996, $17.2 million of cash was provided by operating activities. Cash provided by a decrease in accounts receivable was offset by the effect of a reduction in accounts payable and other current liabilities. The decrease in accounts receivable resulted primarily from cash collections at the Company's Lamort subsidiary. The decrease in other current liabilities was partially due to a warranty claim payment. During the first nine months of 1996, the Company loaned $6.0 million to Tree-Free Fiber Company, LLC (Note 2) and repaid a $10.4 million promissory note to Thermo Electron.

In July 1996, the Company's Thermo Fibergen subsidiary acquired substantially all of the assets, subject to certain liabilities, of Granulation Technology and Biodac for approximately $12.1 million in cash (Note 4).

In September 1996, Thermo Fibergen sold units in an initial public offering for net proceeds of approximately $55.8 million. Each unit consists of one share of Thermo Fibergen common stock and one redemption right which entitles the holder to sell one share of Thermo Fibergen common stock back to Thermo Fibergen during specified periods in the future. The rights are guaranteed, on a subordinated basis, by Thermo Electron. The Company has agreed to reimburse Thermo Electron in the event Thermo Electron is required to make a payment under the guarantee.

During the first nine months of 1996, the Company expended $3.2 million for purchases of property, plant and equipment. In the remainder of 1996, the Company plans to make capital expenditures of approximately $2.5 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 5 - Other Information

In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the Company wishes to caution readers that the following important factors, among others, in some cases have affected, and in the future could affect, the Company's actual results and could cause its actual results in 1996 and beyond to differ materially from those expressed in any forward-looking statements made by, or on behalf of, the Company.

Dependence on Paper Industry and Pulp and Paper Prices. The Company's products are primarily sold to the paper industry. Typically, the financial condition of the paper industry is tied to the general economy, as well as to paper and pulp production capacity. The paper

Item 5 - Other Information (continued)

industry entered a relatively severe down cycle in early 1996 and has not recovered. This cyclical downturn has recently adversely affected the Company's business. No assurance can be given that the financial condition of the paper industry will recover in the near future.

Risks Associated With International Operations. During 1995, approximately 41% of the Company's sales originated outside of the United States, particularly in Europe. International revenues are subject to a number of risks, including the following: agreements may be difficult to enforce and receivables difficult to collect through a foreign country's legal system; foreign customers may have longer payment cycles; foreign countries may impose additional withholding taxes or otherwise tax the Company's foreign income, impose tariffs, or adopt other restrictions on foreign trade; U.S. export licenses may be difficult to obtain; and the protection of intellectual property in foreign countries may be more difficult to enforce. In addition, although the Company seeks to charge its customers in the same currency as its operating costs, fluctuations in currency exchange rates may affect product demand and adversely affect the profitability in U.S. dollars of products provided by the Company in foreign markets where payment for the Company's products and services is made in the local currency. There can be no assurance that any of these factors will not have a material adverse impact on the Company's business and results of operations.

Competition. The Company encounters and expects to continue to encounter significant competition in each of its principal markets. The Company believes that the principal competitive factors affecting the markets for its products include quality, service, technical expertise and product innovation. The Company's competitors include a number of large multinational corporations. Competition could increase if new companies enter the market or if existing competitors expand their product lines or intensify efforts within existing product lines. There can be no assurance that the Company's current products, products under development, or ability to develop new technologies will be sufficient to enable it to compete effectively.

Dependence on Patents and Proprietary Rights. The Company places considerable importance on obtaining patent and trade secret protection for significant new technologies, products, and processes because of the length of time and expense associated with bringing new products through the development process and to the marketplace. The Company's success depends in part on its ability to develop patentable products and obtain and enforce patent protection for its products both in the United States and in other countries. The Company owns several U.S. and foreign patents, and intends to file additional applications as appropriate for patents, covering its products. No assurance can be given that patents will issue from any pending or future patent applications owned by or licensed to the Company, or that the claims allowed under any issued patents will be sufficiently broad to protect the Company's technology.

Item 5 - Other Information (continued)

In addition, no assurance can be given that any issued patents owned by or licensed to the Company will not be challenged, invalidated or circumvented, or that the rights granted thereunder will provide competitive advantages to the Company. The Company could incur substantial costs in defending itself in suits brought against it or in suits in which the Company may assert its patent rights against others. If the outcome of any such litigation is unfavorable to the Company, the Company's business and results of operations could be materially adversely affected.

The Company relies on trade secrets and proprietary know-how which it seeks to protect, in part, by confidentiality agreements with its collaborators, employees, and consultants. There can be no assurance that these agreements will not be breached, that the Company would have adequate remedies for any breach, or that the Company's trade secrets will not otherwise become known or be independently developed by competitors.

Limitation on Operating Flexibility. Thermo Electron Corporation, which owns 82% of the outstanding capital stock of the Company as of September 28, 1996, has expressed its intention, for the foreseeable future, to maintain at least 80% ownership of the Company, so that it may continue to file consolidated U.S. federal income tax returns with the Company. This may limit the Company's ability to raise funds in the future by selling additional equity capital. If adequate funds are not available, the Company may be required to limit its capital expenditures, research and development expenditures, and/or other operations.

Item 6 - Exhibits

See Exhibit Index on the page immediately preceding exhibits.

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 1st day of November 1996.

THERMO FIBERTEK INC.

Paul F. Kelleher

Paul F. Kelleher
Chief Accounting Officer

John N. Hatsopoulos

John N. Hatsopoulos
Chief Financial Officer

THERMO FIBERTEK INC.

EXHIBIT INDEX

Exhibit Number	Description of Exhibit	Page
10.1	Stock Holdings Assistance Plan and Form of Promissory Note.	
11	Statement re: Computation of earnings per share.	
27	Financial Data Schedule.	

EXHIBIT 10.1

THERMO FIBERTEK INC.

STOCK HOLDINGS ASSISTANCE PLAN

SECTION 1. Purpose.

The purpose of this Plan is to benefit Thermo Fibertek Inc. (the "Company") and its stockholders by encouraging Key Employees to acquire and maintain share ownership in the Company, by increasing such employees' proprietary interest in promoting the growth and performance of the Company and its subsidiaries and by providing for the implementation of the Guidelines.

SECTION 2. Definitions.

The following terms, when used in the Plan, shall have the meanings set forth below:

Committee: The Human Resources Committee of the Board of Directors of the Company as appointed from time to time.

Common Stock: The common stock of the Company and any successor thereto.

Company: Thermo Fibertek Inc., a Delaware corporation.

Guidelines: The Stock Holdings Guidelines for Key Employees of the Company, as established by the Committee from time to time.

Key Employee: Any employee of the Company or any of its subsidiaries, including any officer or member of the Board of Directors who is also an employee, as designated by the Committee, and who, in the judgment of the Committee, will be in a position to contribute significantly to the attainment of the Company's strategic goals and long-term growth and prosperity.

Loans: Loans extended to Key Employees by the Company pursuant to this Plan.

Plan: The Thermo Fibertek Inc. Stock Holdings Assistance Plan, as amended from time to time.

SECTION 3. Administration.

The Plan and the Guidelines shall be administered by the Committee, which shall have authority to interpret the Plan and the Guidelines and, subject to their provisions, to prescribe, amend and rescind any rules and regulations and to make all other determinations necessary or desirable for the administration thereof. The Committee's interpretations and decisions with regard to the Plan and the Guidelines and such rules and regulations as may be established thereunder shall be final and conclusive. The Committee may correct any defect or supply any

omission or reconcile any inconsistency in the Plan or the Guidelines, or in any Loan in the manner and to the extent the Committee deems desirable to carry it into effect. No member of the Committee shall be liable for any action or omission in connection with the Plan or the Guidelines that is made in good faith.

SECTION 4. Loans and Loan Limits.

The Committee has determined that the provision of Loans from time to time to Key Employees in such amounts as to cause such Key Employees to comply with the Guidelines is, in the judgment of the Committee, reasonably expected to benefit the Company and authorizes the Company to extend Loans from time to time to Key Employees in such amounts as may be requested by such Key Employees in order to comply with the Guidelines. Such Loans may be used solely for the purpose of acquiring Common Stock (other than upon the exercise of stock options or under employee stock purchase plans) in open market transactions or from the Company.

Each Loan shall be full recourse and evidenced by a non-interest bearing promissory note substantially in the form attached hereto as Exhibit A (the "Note") and maturing in accordance with the provisions of Section 6 hereof, and containing such other terms and conditions, which are not inconsistent with the provisions of the Plan and the Guidelines, as the Committee shall determine in its sole and absolute discretion.

SECTION 5. Federal Income Tax Treatment of Loans.

For federal income tax purposes, interest on Loans shall be imputed on any interest free Loan extended under the Plan. A Key Employee shall be deemed to have paid the imputed interest to the Company and the Company shall be deemed to have paid said imputed interest back to the Key Employee as additional compensation. The deemed interest payment shall be taxable to the Company as income, and may be deductible to the Key Employee to the extent allowable under the rules relating to investment interest. The deemed compensation payment to the Key Employee shall be taxable to the employee and deductible to the Company, but shall also be subject to employment taxes such as FICA and FUTA.

SECTION 6. Maturity of Loans.

Each Loan to a Key Employee hereunder shall be due and payable on demand by the Company. If no such demand is made, then each Loan shall mature and the principal thereof shall become due and payable in five equal annual installments commencing on the first anniversary date of the making of such Loan. Each Loan shall also become immediately due and payable in full, without demand, upon the occurrence of any of the events set forth in the Note; provided that the Committee may, in its sole and absolute discretion, authorize an extension of the time for repayment of a Loan upon such terms and conditions as the Committee may determine.

SECTION 7. Amendment and Termination of the Plan.

The Committee may from time to time alter or amend the Plan or the Guidelines in any respect, or terminate the Plan or the Guidelines at any time. No such amendment or termination, however, shall alter or otherwise affect the terms and conditions of any Loan then outstanding to Key Employee without such Key Employee's written consent, except as otherwise provided herein or in the promissory note evidencing such Loan.

SECTION 8. Miscellaneous Provisions.

(a) No employee or other person shall have any claim or right to receive a Loan under the Plan, and no employee shall have any right to be retained in the employ of the Company due to his or her participation in the Plan.

(b) No Loan shall be made hereunder unless counsel for the Company shall be satisfied that such Loan will be in compliance with applicable federal, state and local laws.

(c) The expenses of the Plan shall be borne by the Company.

(d) The Plan shall be unfunded, and the Company shall not be required to establish any special or separate fund or to make any other segregation of assets to assure the making of any Loan under the Plan.

(e) Except as otherwise provided in Section 7 hereof, by accepting any Loan under the Plan, each Key Employee shall be conclusively deemed to have indicated his acceptance and ratification of, and consent to, any action taken under the Plan or the Guidelines by the Company, the Board of Directors of the Company or the Committee.

(f) The appropriate officers of the Company shall cause to be filed any reports, returns or other information regarding Loans hereunder, as may be required by any applicable statute, rule or regulation.

SECTION 9. Effective Date.

The Plan and the Guidelines shall become effective upon approval and adoption by the Committee.

EXHIBIT A

THERMO FIBERTEK INC.

Promissory Note

$_________

Dated:____________

For value received, ________________, an individual whose residence is located at _______________________ (the "Employee"), hereby promises to pay to Thermo Fibertek Inc. (the "Company"), or assigns, ON DEMAND, but in any case on or before [insert date which is the fifth anniversary of date of issuance] (the "Maturity Date"), the principal sum of [loan amount in words] ($_______), or such part thereof as then remains unpaid, without interest. Principal shall be payable in lawful money of the United States of America, in immediately available funds, at the principal office of the Company or at such other place as the Company may designate from time to time in writing to the Employee.

Unless the Company has already made a demand for payment in full of this Note, the Employee agrees to repay the Company, on each of the first four anniversary dates of the date hereof, an amount equal to 20% of the initial principal amount of the Note. Payment of the final 20% of the initial principal amount, if no demand has been made by the Company, shall be due and payable on the Maturity Date.

This Note may be prepaid at any time or from time to time, in whole or in part, without any premium or penalty. The Employee acknowledges and agrees that the Company has advanced to the Employee the principal amount of this Note pursuant to the Company's Stock Holdings Assistance Plan, and that all terms and conditions of such Plan are incorporated herein by reference.

The unpaid principal amount of this Note shall be and become immediately due and payable without notice or demand, at the option of the Company, upon the occurrence of any of the following events:

(a) the termination of the Employee's employment with the Company, with or without cause, for any reason or for no reason;

(b) the death or disability of the Employee;

(c) the failure of the Employee to pay his or her debts as they become due, the insolvency of the Employee, the filing by or against the Employee of any petition under the United States Bankruptcy Code (or the filing of any similar petition under the insolvency law of any jurisdiction), or the making by the Employee of an assignment or trust mortgage for the benefit of creditors or the appointment of a receiver, custodian or similar agent with respect to, or the taking by any such person of possession of, any property of the Employee; or

(d) the issuance of any writ of attachment, by trustee process or otherwise, or any restraining order or injunction not removed, repealed or dismissed within thirty (30) days of issuance, against or affecting the person or property of the Employee or any liability or obligation of the Employee to the Company.

In case any payment herein provided for shall not be paid when due, the Employee further promises to pay all costs of collection, including all reasonable attorneys' fees.

No delay or omission on the part of the Company in exercising any right hereunder shall operate as a waiver of such right or of any other right of the Company, nor shall any delay, omission or waiver on any one occasion be deemed a bar to or waiver of the same or any other right on any future occasion. The Employee hereby waives presentment, demand, notice of prepayment, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note. The undersigned hereby assents to any indulgence and any extension of time for payment of any indebtedness evidenced hereby granted or permitted by the Company.

This Note has been made pursuant to the Company's Stock Holdings Assistance Plan and shall be governed by and construed in accordance with, such Plan and the laws of the State of Delaware and shall have the effect of a sealed instrument.

____

Employee Name: _________________

____

Witness

THERMO FIBERTEK INC.

Computation of Earnings per Share

	Three Months Ended September 28, 1996	Three Months Ended September 30, 1995
Computation of Fully Diluted Earnings per Share:		
Income:		
Net income	$ 4,213,000	$ 5,992,000
Add: Convertible debt interest, net of tax	79,000	79,000
Income applicable to common stock assuming full dilution (a)	$ 4,292,000	$ 6,071,000
Shares:		
Weighted average shares outstanding	61,088,657	60,827,252
Add: Shares issuable from assumed conversion of subordinated convertible obligation	1,888,113	1,888,113
Shares issuable from assumed exercise of options (as determined by the application of the treasury stock method)	1,404,451	1,352,676
Weighted average shares outstanding, as adjusted (b)	64,381,221	64,068,041
Fully Diluted Earnings per Share (a) / (b)	$ .07	$ .09

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THERMO FIBERTEK INC.

Computation of Earnings per Share (continued)

	Nine Months Ended September 28, 1996	Nine Months Ended September 30, 1995
Computation of Fully Diluted Earnings per Share:		
Income:		
Net income	$14,295,000	$14,203,000
Add: Convertible debt interest, net of tax	237,000	237,000
Income applicable to common stock assuming full dilution (a)	$14,532,000	$14,440,000
Shares:		
Weighted average shares outstanding	61,015,230	60,759,465
Add: Shares issuable from assumed conversion of subordinated convertible obligation	1,888,113	1,888,113
Shares issuable from assumed exercise of options (as determined by the application of the treasury stock method)	1,494,662	1,352,676
Weighted average shares outstanding, as adjusted (b)	64,398,005	64,000,254

Fully Diluted Earnings per Share (a) / (b)	$ .23	$ .23
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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 SEPTEMBER 28, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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9-MOS
DEC-28-1996
SEP-28-1996
102,164
0
35,921
2,249
26,327
174,459
57,372
30,598
247,941
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143,699
82,469
82,469
4,153
(221)
483
23,594
9,243
14,295
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0
0
14,295
.23
.23