FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

(Mark One)

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

For the quarterly period ended August 25,2000

OR

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

For the transition period from _______ to _______

Commission File No. 1-10655

ENVIRONMENTAL TECTONICS CORPORATION
(Exact name of registrant as specified in its charter)

Pennsylvania	23-1714256
(State or other jurisdiction of incorporation or organization	(IRS Employer Identification No.)

COUNTY LINE INDUSTRIAL PARK
SOUTHAMPTON, PENNSYLVANIA 18966
(Address of principal executive offices) (Zip Code)

(215) 355-9100
(Registrant's telephone number, including area code)

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 at least the past 90 days.

Yes X No ___

The number of shares outstanding of the registrant's common stock as of October 3, 2000 is: 7,099,246

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Environmental Tectonics Corporation
Consolidated Income Statements

(unaudited)

	Three months ended: August 25, 2000	Three months ended: August 27, 1999	Six months ended: August 25, 2000	Six months ended: August 27, 1999
	(thousands, except share and per share information)			
Net sales	$ 6,994	$ 8,279	$14,151	$16,574
Cost of goods sold	4,316	5,456	8,118	10,477
Gross profit	2,678	2,823	6,033	6,097
Operating expenses:				
Selling and administrative	1,887	1,732	3,545	3,458
Research and development	309	375	484	497
	2,196	2,107	4,029	3,955
Operating income	482	716	2,004	2,142
Other expenses:				
Interest expense	211	166	403	343
Other, net	25	28	4	46
	236	194	407	389
Income before income taxes	246	522	1,597	1,753
Provision for income taxes	106	182	573	614
Income before minority interest	140	340	1,024	1,139
Income (loss) attributable to minority interest	22	(32)	24	(67)
Net income	$ 118	$ 372	$ 1,000	$ 1,206
Per share information:				
Income available to common shareholders	$ 118	$ 372	$ 1,000	$ 1,040
Income per share: basic	$ 0.02	$ 0.05	$ 0.14	$ 0.16
Income per share: diluted	$ 0.02	$ 0.05	$ 0.13	$ 0.14
Number of shares: basic	7,097,000	6,855,000	7,071,000	6,675,000
Number of shares: diluted	7,532,000	7,523,000	7,533,000	7,253,000

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

Environmental Tectonics Corporation
Consolidated Balance Sheets

	August 25, 2000	February 25, 2000
	Unaudited	
	(amounts in thousands, except share information)	

Assets		
Current assets:		
Cash and cash equivalents	$ 1,219	$ 1,725
Cash equivalents restricted for letters of credit	1,394	32
Accounts receivable, net	14,641	10,771
Costs and estimated earnings in excess of billings on uncompleted long-term contracts	9,758	8,878
Inventories	5,556	3,904
Deferred tax asset	689	689
Prepaid expenses and other current assets	381	482
	33,638	26,481
Property, plant and equipment, at cost, net of accumulated depreciation of $8,270 at August 25, 2000 and $8,004 at Feb. 25, 2000	3,399	3,300
Software development costs, net of accumulated amortization of $5,519 at August 25, 2000 and $5,215 at February 25, 2000	875	1,096
Other assets	899	1,020
Total assets	$38,811	$31,897
Liabilities and Stockholders' Equity		
Liabilities		
Current liabilities:		
Current portion of long-term bonds	$ 307	$ 78
Accounts payable - trade	925	1,830
Billings in excess of costs and estimated earnings on uncompleted long-term contracts	3,807	3,282
Customer deposits	2,989	2,935
Accrued income taxes	687	455
Accrued liabilities	1,418	1,595
Total current liabilities	10,133	10,175
Long-term debt, less current portion:		
Credit facility payable to banks	4,403	4,093
Long-Term Bonds, net	5,077	-
Subordinated debt	350	350
Other	-	12
	9,830	4,455
Deferred income taxes	652	652
Total liabilities	20,615	15,282
Minority interest	396	370
Stockholders' Equity		
Common stock; $.05 par value; 20,000,000 shares authorized; 7,097,446 and 6,864,280 issued and outstanding at August 25, 2000 and February 25, 2000, respectively	355	343
Capital contributed in excess of par value of common stock	6,465	5,832
Foreign currency exchange adjustment	(152)	(62)
Retained earnings	11,132	10,132
Total stockholders' equity	17,800	16,245
Total liabilities and stockholders' equity	$38,811	$31,897

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

Environmental Tectonics Corporation
Consolidated Statements of Cash Flows
(unaudited)

	Six months ended August 25, 2000	Six months ended August 27, 1999
	(amounts in thousands)	
Cash flows from operating activities:		
Net income	$ 1,000	$ 1,206
Adjustments to reconcile net income to net cash (used) provided by operating activities:		
Depreciation and amortization	678	777
Provision for losses on accounts receivable and inventories	47	45
Minority interest	(26)	(67)
Changes in operating assets and liabilities:		
Accounts receivable	(3,867)	(919)
Costs and estimated earnings in excess of billings on uncompleted long-term contracts	(880)	1,121
Inventories	(1,702)	(1,976)
Prepaid expenses and other assets	65	(6)
Other assets	66	(213)
Accounts payable	(905)	130
Billings in excess of costs and estimated earnings on uncompleted long-term contracts	525	(1,461)
Customer deposits	54	(355)
Accrued income taxes	232	(66)
Other accrued liabilities	(198)	(2)
Payments under settlement agreements	(60)	(60)
Net cash used in operating activities	(4,971)	(1,846)
Cash flows from investing activities:		
Acquisition of equipment	(365)	(134)
Capitalized software development costs	(83)	(237)
Purchase of subsidiary, net	142	-
Net cash used in investing activities	(306)	(371)
Cash flows from financing activities:		
Net borrowings under credit facility	310	-
Proceeds from long-term bonds	5,470	-
Deferred financing costs	(175)	-
Payment of dividends on preferred stock	-	(38)
Increase in cash equivalents restricted for letters of credit	(1,362)	-
Proceeds from issuance of common stock/warrants	633	85
Capital leases/other	(15)	(65)
Net cash provided (used) by financing activities	4,861	(18)
Effect of exchange rate changes on cash	(90)	(120)
Net decrease in cash and cash equivalents	(506)	(2,355)
Cash and cash equivalents at beginning of period	1,725	5,344
Cash and cash equivalents at end of period	$ 1,219	$ 2,989
Supplemental schedule of cash flow information:		
Interest paid	253	240
Income taxes paid	312	678

Supplemental information on noncash operating and investing activities:

During the six month period ended August 27,1999, the Company transferred a net of $216 from inventory to property, plant and equipment.

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

Environmental Tectonics Corporation
Notes to Consolidated Financial Statements
(amounts in dollars, except where noted and share and per share information)

1. Basis of Presentation

The accompanying consolidated financial statements include the accounts of Environmental Tectonics Corporation ("ETC" or the "Company"), its wholly-owned subsidiaries ETC International Corporation, Entertainment Technology Corporation, and ETC Europe, and its majority-owned subsidiary ETC-PZL Aerospace Industries, Ltd. ("ETC-PZL").

The accompanying consolidated financial statements have been prepared by Environmental Tectonics Corporation, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission, and reflect all adjustments which, in the opinion of management, are necessary for a fair statement of the results for the interim periods presented. All such adjustments are of a normal recurring nature.

Certain information in footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles has been condensed or omitted pursuant to such rules and regulations and the financial results for the period presented may not be indicative of the full year's results, although the Company believes the disclosures are adequate to make the information presented not misleading. These financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended February 25, 2000. Certain reclassifications have been made to the 1999 financial statements to conform with the 2000 presentation.

2. Earnings per Share

Basic earnings per share excludes dilution and is computed by dividing income available to common shareholders by the weighted average common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised and converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. The following table demonstrates the components of basic and diluted earning per share for the three and six month periods ended August 25, 2000 and August 27, 1999. All earnings per share and share amounts have been restated to reflect a 2 for 1 stock split effective May 28, 1999.

(amounts in thousands, except share and per share information)

	Three months ended:		Six months ended:	
	August 25, 2000	August 27, 1999	August 25, 2000	August 27, 1999
Net income	$118	$372	$1,000	$1,206
Less preferred stock dividends	-	-	-	(38)
Less accretion of preferred stock	-	-	-	(128)
Income available to common stockholders	$118	$372	$1,000	$1,040
Basic earnings per share:				
Weighted average shares	7,097,000	6,855,000	7,071,000	6,675,000
Per share amount	$0.02	$0.05	$0.14	$0.16

Diluted earnings per share:				
Weighted average shares	7,097,000	6,855,000	7,071,000	6,675,000
Effect of dilutive securities:				
Stock options	120,000	189,000	162,000	169,000
Stock warrants	315,000	479,000	300,000	409,000
	7,532,000	7,523,000	7,533,000	7,253,000
Per share amount	$0.02	$0.05	$0.13	$0.14

3. Accounts Receivable

The components of accounts receivable are as follows:

	August 25, 2000	February 25, 2000
	(amounts in thousands)	
U.S. Government receivables billed and unbilled contract costs subject to negotiation	$ 5,818	$ 5,145
U.S. commercial receivables billed	4,159	1,395
International receivables billed and unbilled contract costs subject to negotiation	5,028	4,598
	15,005	11,138
Less allowance for doubtful accounts	(364)	(367)
	$14,641	$ 10,771

U.S. Government receivables billed and unbilled contract costs subject to negotiation:

Unbilled contract costs subject to negotiation represent claims made or to be made against the U.S. Government under a contract for a centrifuge. These costs were recorded beginning in fiscal year 1994, including $1,148,000 recorded during the first quarter of fiscal 2001. The Company has recorded claims, amounting to $3,898,000 to the extent of contract costs incurred, and accounts receivable of $1,649,000 representing the balance due under the contract. Claim

costs have been incurred in connection with U.S. Government caused delays, errors in specifications and designs, and other unanticipated causes and may not be received in full during fiscal 2001. In accordance with generally accepted accounting principles, revenue recorded by the Company from a claim does not exceed the incurred contract costs related to the claim. The Company currently has approximately $12,000,000 in claims filed with the U.S. Government (including the aforementioned recorded claim and accounts receivable balances), which are subject to negotiation and audit by the U.S. Government. The U.S. Government has responded to the claims with either denials or deemed denials that the Company has appealed. In May 2000, the Company and the U.S. Government reached an agreement in principle which would have included resolution of all U.S. Navy claims on a global basis and contracted additional work on the centrifuge. In July 2000, the Company received notice that the Navy, citing an inability to obtain the requisite approvals and thus the necessary funding to effect the settlement, was rescinding the agreement.

International receivables and unbilled contract costs subject to negotiation

International receivables billed includes $900,000 related to a certain contract with the Royal Thai Air Force.

In October 1993, the Company was notified by the Royal Thai Air Force ("RTAF") that the RTAF was terminating a certain $4,600,000 simulator contract with the Company. Although the Company had performed in excess of 90% of the contract, the RTAF alleged a failure to completely perform. In connection with this termination, the RTAF made a call on a $229,000 performance bond, as well as a draw on an approximately $1,100,000 advance payment letter of credit. Work under this contract had stopped while under arbitration, but on October 1, 1996, the Thai Trade Arbitration Counsel rendered its decision under which the contract was reinstated in full and the Company was given a period of nine months to complete the remainder of the work. Except as noted in the award, the rights and obligations of the parties remained as per the original contract including the potential invoking of penalties or termination of the contract for delay. On December 22, 1997, the Company successfully performed acceptance testing and the unit passed with no discrepancy reports. Although the contract was not completed in the time allotted, the Company has requested an extension on the completion time due to various extenuating circumstances, including allowable "force majeure" events, one of which was a delay in obtaining an

export license to ship parts required to complete the trainers. The balance due on the contract is still under review and at this point the Company is not able to determine what, if any, impact the extended completion period will have upon the receipt of final payment. However, the Company continues to pursue recovery.

Unbilled contract costs subject to negotiation represent claims made or to be made against an international customer for three contracts covering 1994 to the present. Claims aggregating $2,703,000 have been recorded, including $1,093,000 in the current quarter. (This additional claim receivable, and corresponding claims revenue, was completely offset by a decrease in contract value and corresponding contract revenue to adjust the unbilled balance on two of these contracts for a foreign exchange loss as these contracts are denominated in British pound sterling.). Claim costs have been incurred in connection with customer caused delays, errors in specifications and designs, and other out-of-scope items, and may not be received in full during fiscal 2001. In accordance with generally accepted accounting principles, revenue recorded by the Company from a claim does not exceed the incurred contract costs related to the claim. The Company is currently updating and finalizing these claims and also has begun legal proceedings in the United Kingdom against the customer. As a related item, during the third quarter of fiscal 2000, the aforementioned international customer, citing failure to deliver product within contract terms, assessed liquidated damages totalling approximately $1,600,000 on two contracts currently in progress. The Company disputes the basis for these liquidated damages and plans to contest them vigorously. However, following generally accepted accounting principles, the Company has reduced contract values by approximately $1,600,000 and corresponding revenue recognition by $1,573,000.

4. Inventories

Inventories are valued at the lower of cost or market using the first in, first out (FIFO) method and consist of the following (net of reserves):

	August 25, 2000	February 25, 2000
	(amounts in thousands)	
Raw materials	$ 296	$ 343
Work in Process	5,260	3,561
	$5,556	$3,904

5. Stockholders' Equity

The components of stockholders' equity at February 25, 2000 and August 25, 2000 were as follows:

(amounts in thousands, except share information)

	Common Stock		Additional	Accumulated other comp.	Retained	
	Shares	Amount	Capital	income	Earnings	Total
Balance, February 25, 2000	6,864,280	$343	$5,832	$ (62)	$10,132	$16,245
Net income for six month period ended August 25, 2000	-	-	-	-	1,000	1,000
Other conprehensive loss	-	-	-	(90)	-	(90)
Total comprehensive income	-	-	-	(90)	-	910
Shares issued in connection with conversion of warrants	212,866	10	508			518
Shares issued in connection with employee stock option plans	20,300	2	125	-	-	127
Balance at August 25, 2000	7,097,446	$355	$6,465	$(152)	$11,132	$17,800

6. Business Segment Presentation:

The Company primarily manufactures under contract various types of high-technology equipment which it has designed and developed. The Company considers its business activities to be divided into two segments: Aircrew Training Systems (ATS) and Industrial Simulation. The ATS business segment produces devices which create and monitor the physiological effects of motion, including spatial disorientation and centrifugal forces for the medical, training, research and entertainment markets. The Industrial Simulation business segment produces chambers that create environments that are used for sterilization, research, and medical applications. The following segment information reflects the accrual basis of accounting:

	ATS	Industrial Simulation	Total
	(amounts in thousands)		
Three months ended August 25, 2000			
Net Sales	$ 4,927	$2,067	$ 6,994
Interest Expense	146	26	172
Deprec. And Amort.	220	122	342
Operating Income	709	6	715

Income Tax Prov.	197	(7)	190
Identifiable Assets	25,466	5,364	30,864
Expend. For Seg. Assets	239	50	289
Three months ended August 27, 1999			
Net Sales	$6,250	$2,029	$ 7,759
Interest Expense	105	17	122
Deprec. And Amort.	259	99	358
Operating Income	1,076	50	1,126
Income Tax Prov.	340	12	352
Identifiable Assets	21,964	3,516	25,480
Expend. For Seg. Assets	154	25	179

Reconciliation to consolidated amounts	2000	1999
Segment operating income	$ 715	$ 1,126
Less interest expense	(172)	(122)
Less income taxes	(190)	(352)
Total profit for segments	$ 353	$ 652
Corporate home off. exps.	(233)	(410)
Interest and other exps.	(64)	(72)
Income tax benefit	84	170
Minority interest	(22)	32
Net income	$ 118	$ 372

	ATS	Industrial Simulation	Total
	(amounts in thousands)		
Six months ended August 25, 2000			
Net Sales	$10,703	$3,448	$14,151
Interest Expense	265	59	324
Deprec. And Amort.	462	216	678
Operating Income	2,686	(253)	2,433
Income Tax Prov.	847	(109)	738
Identifiable Assets	25,466	5,364	30,830
Expend. For Seg. Assets	421	92	513
Six months ended August 27, 1999			
Net Sales	$ 13,116	$3,458	$16,574
Interest Expense	220	42	262
Deprec. And Amort.	607	170	777
Operating Income	2,750	114	2,864
Income Tax Prov.	886	26	912
Identifiable Assets	21,964	3,516	25,480
Expend. For Seg. Assets	269	53	322

Reconciliation to consol. amts:	2000	1999
Segment operating income	$ 2,433	$ 2,864
Less interest expense	(324)	(262)
Less income taxes	(738)	(912)
Total profit for segments	$ 1,371	$ 1,690
Corporate home off. exps.	(429)	(723)
Interest and other exps.	(83)	(127)

Income tax benefit	165	299
Minority interest	(24)	67
Net income	$ 1,000	$ 1,206

Segment operating income (loss) consists of net sales less applicable costs and expenses related to those revenues. Unallocated general corporate expenses and other miscellaneous fees have been excluded from total profit for segments. General corporate are primarily central administrative office expenses including executive salaries, stockholder expenses and legal and accounting fees. Other miscellaneous expenses include banking and letter of credit fees. Property, plant and equipment are not identified with specific business segments as these are common resources shared by all segments.

Approximately 50.0% of sales totaling $3,539,000 in the second quarter of fiscal 2001 were made to two international and one domestic customer primarily in the ATS segment. Approximately 48.9% of sales totaling $4,052,000 in the second quarter of fiscal 2000 were made to two domestic and one international customer in the ATS segment.

Approximately 45.4% of sales totaling $6,421,000 in the six months ended August 25, 2000, were made to two international and one domestic customer primarily in the ATS area. Approximately 43.9% of sales in the six months ended August 25, 1999, were made to two international customers primarily in the ATS segment.

Included in the segment information for the second quarter of fiscal 2001 are export sales of $ 3,148,000. Of this amount, there are sales to commercial or government accounts in Great Britain of $863,000, Nigeria of $881,000, and Poland of $740,000. Sales to the US government and its agencies aggregate $111,000 for the period.

Included in the segment information for the second quarter of fiscal 2000 are export sales of 4,154,000. Of this amount, there are sales to government accounts in Great Britain of $1,692,000. Sales to the US government and its agencies aggregate $282,000 for the period.

Included in the segment information for the six months ended August 25, 2000, are export sales of $6,394,000. Of this amount, there are sales to commercial or government accounts in Great Britain of $1,858,000 and Nigeria of $1,527,000. Sales to the US government and its agencies aggregate $1,573,000 for the period.

Included in the segment information for the six months ended August 27, 1999, are export sales of $10,156,000. Of this amount, there are sales to commercial or government accounts in Great Britain of $3,088,000 and Nigeria of $4,190,000. Sales to the US government and its agencies aggregate $500,000 for the period.

7. Subsequent Events

On September 9, 2000, the company purchased the assets of the "Pro-Pilot" flight simulation game for $400,000 cash. The Company plans to develop a next generation "Pro-Pilot 2000"tm game which will be marketed through the internet. Also, this software is expected to be integrated into our General Aviation Trainer product for commercial application.

On September 27, 2000, the Company purchased another 30% ownership in ETC-PZL for $300,000 cash. With this purchase, the Company's ownership increases to 95%.

8. Derivative Instruments and Hedging Activity

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, " Accounting and

Derivative Instruments and Hedging Activity." SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments imbedded in other contracts and for Hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments as fair value. If certain conditions are met, a derivative may be specifically designated as a hedge. The accounting for changes in the fair value of a derivative (gains and losses) depends on the intended use of the derivative and resulting designation. SFAS No. 133 is effective for all fiscal quarters of fiscal years beginning after June 15, 1999. Earlier application is permitted only as of the beginning of any fiscal quarter. The Company is currently reviewing the provisions of SFAS No. 133.

Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition
(amounts in dollars, except where noted and share and per share amounts)

Results of Operations
Three months ended August 25, 2000 compared to August 27, 1999.

The Company had net income of $118,000, or $.02 per share (diluted), versus net income of $372,000 or $.05 per share (diluted), for the corresponding second quarter of fiscal 2000. Sales for the quarter were $6,994,000, a decrease of $1,285,000 or 15.5%, over the corresponding prior period. The primary contributors to the sales decrease were international contracts for the Company's Aircrew Training Systems. Partial offsets were an increase in domestic Sterilizer work, Environmental Systems projects, and a 45.0% increase in the entertainment business unit. Overall, domestic sales were down $108,000, or 2.8% from the prior period, and represented 53.4% of the Company's total sales, up from 46.4% a year ago. International sales were down $1,007,000 or 24.2%, and represented 45.0% of total sales, down from 50.2% in the prior period.

Gross profit dollars were down $145,000 from the prior period, reflecting the lower sales level, although the rate as a percentage of sales was up 4.2 percentage points to 38.3%. Rate increases were evidenced in all product categories except Sterilizers. ATS performance in the prior peroid included a series of new products under development which experienced low margins as compared to current projects in process.

Selling and administrative expenses increased $156,000 or 8.9%. This reflected additional hiring, commissions and claims legal expenses domestically and local expenses for the Company's ETC Europe subsidiary acquired in March, 2000.

Research and development expenses were down from the prior period reflecting reduced product development primarily in the Company's entertainment area.

Interest and other fees were up $42,000 or 21.6% reflecting increased borrowings albeit at a lower rate.

The Company's tax rate approximated the statutory rate for both periods.

Results of Operations
Six months ended August 25,2000 compared to August 27, 1999.

The Company had net income of $1,000,000, or $.13 per share (diluted), versus net income of $1,206,000, or $.14 per share (diluted), for the corresponding period of fiscal 2000. Sales for the six months were $14,151,000, a decrease of $2,423,000 or 14.6% over the corresponding prior period. The primary contributor to the sales decrease was international contracts for the Company's Aircrew Training Systems. A partial offset was increased domestic sales for entertainment products and the Chicago O'Hare Airport simulation project and increased government claims revenue of $1,148,000.

Overall, domestic sales were up $1,150,000 or 22.8% over the prior period, and represented 43.7% of the Company's total sales, up from 30.4% a year ago. Government sales, reflecting the aforementioned claims revenue, were up $1,072,000 or 214.0% over the prior period, and represented 11.1% of total sales, up from 3.0% in the prior period.

Gross profit decreased $64,000, or 1.0% as the sales decrease was mostly offset by an increase in the rate as a percentage of sales of 5.8 percentage points. As a percentage of sales, gross profit was 42.6%, compared to 36.8% for the same period a year ago. The primary contributor to this increase in rate was the claims revenue booked in the second quarter of this year.

Selling and administrative expenses increased $87,000, or 2.5%, reflecting additional expenses in the Company's Polish subsidiary and the addition of local expenses for the Company's ETC Europe subsidiary acquired in March, 2000.

Research and development expenses were down slightly between the periods as additional software work in the Company's Turkish subsidiary in the current period offset reduced entertainment project development in the prior period.

Interest and other fees were up $18,000 or 4.6% from the prior period reflecting increased interest charges on higher borrowings.

The Company's tax rate approximated the statutory rate in both periods.

Liquidity and Capital Resources

During the six month period ended August 25,2000, the Company used $4,971,000 for operating activities. This was primarily a result of an increase in accounts receivable and inventories, an increase in costs and estimated earnings in excess of billings on uncompleted long-term contracts, and a decrease in accounts payable. Positive cash was generated by net income, non-cash expenses, and an increase in billings in excess of costs and estimated earnings on uncompleted long-term contracts. Versus last year's corresponding period, net cash used in operating activities reflected a decrease of $3,125,000 as the prior period included higher billing activity.

Investment activities consisted of purchases for capital equipment, capitalized software, and the net cash impact of buying ETC Europe.

Financing activities consisted of cash from the issuance of long-term bonds and cash from the issuance of stock partially offset by an increase in restricted cash. On February 25, 2000, the Company signed an amendment to its revolving credit agreement originally entered into on March 27,1997, which increased its credit facility to $15,000,000 and extended its expiration date to August 31, 2001.(Subsequent to fiscal quarter end, the Company's main lender agreed to extend this agreement for an additional year.) Terms and conditions of the amendment remained essentially the same as the original agreement. Substantially all of the Company's short term financing is provided by this bank. On March 15, 2000, the Company issued approximately $5,500,000 of unregistered taxable variable rate demand/fixed rate revenue bonds (Series of 2000). Net proceeds from these bonds were used to repay a $4,100,000 advance taken on the Company's revolving credit facility and to finance construction of an addition to the Company's main plant in Southampton, Pa. The bonds are secured by a $5,600,000 irrevocable direct pay letter of credit issued by the Company's main lender which expires on March 15, 2005 and which is secured by all assets of the Company. The bonds carry a maturity date of April 1, 2020, bear a variable interest rate which adjusts each week to a rate required to remarket the bonds at full principal value (currently at 6.6% on September 28, 2000) with a cap of 17%, and are subject to mandatory redemption of $275,000 per year for 19 years and $245,000 for the 20th year.

The Company's sales backlog at August 25, 2000, and February 25, 2000, for work to be performed and revenue to be recognized under written agreements after such dates was approximately $39,383,000 and $44,146,000, respectively. In addition, the Company's training and maintenance contracts backlog at August 25, 2000, and February 25,2000, for work to be performed and revenue to be recognized after that date under written agreements was approximately $1,017,000 and $1,288,000, respectively.

This report contains certain 'forward-looking statements' including, without limitation, statements containing the words "believes", "anticipates", intends", "expects", and words of similar import relating to the Company's operations. There are important factors that could cause actual results to differ materially from those indicated by such forward-looking statements including contract delays and cancellations, political unrest in customer countries, general economic conditions and the risk factors detailed from time to time in ETC's periodic reports and registration statements filed with the Securities and Exchange Commission, including, without limitation, ETC's Annual Report on Form 10-K for the fiscal year ended February 25, 2000.

Part II - OTHER INFORMATION

Item 1. Legal Proceedings
none

Item 2. Changes in Securities

The constituent instruments defining the rights of the holders of any class of securities were not modified nor were the rights evidenced by any class of registered securities materially limited or qualified during the period covered by this report.

Item 3. Defaults Upon Senior Securities

No defaults occurred during the period covered in this report.

Item 4. Submission of Matters to Vote of Security Holders
none

Item 5. Other Information
None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

3.1 Articles of Incorporation (Incorporated herein by reference to Exhibit 3.1 to the Registrant's Annual Report on Form 10-KSB for the fiscal year ended February 28, 1997).

3.2 Bylaws (Incorporated herein by reference to Exhibit 3(ii) to the Registrant's Annual Report on Form 10-K for the fiscal year ended February 25, 1994).

Exhibit 27 - Financial Data Schedule

(b) Reports on Form 8-K
None

Signatures

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

Date: October 10, 2000 ENVIRONMENTAL TECTONICS CORPORATION

(Registrant)

By:/s/Duane Deaner

Duane Deaner,
Chief Financial Officer
(authorized officer and
principal financial officer)

EXHIBIT INDEX

3.1 Articles of Incorporation (Incorporated herein by reference to Exhibit 3.1 to the Registrant's Annual Report on Form 10-KSB for the fiscal year ended February 28, 1997).

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February 25, 1994).

27 Financial Data Schedule

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