UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K
FOR ANNUAL AND TRANSITION REPORTS
PURSUANT TO SECTIONS 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

[x] Annual report pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934
for the fiscal year ended February 28, 2003

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 Number 1-10655

ENVIRONMENTAL TECTONICS CORPORATION
(Exact name of small business issuer in its charter)

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

County Line Industrial Park
Southampton, Pennsylvania 18966
(Address of principal executive offices, Zip Code)

Registrant's telephone number, including area code (215) 355-9100
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $.05 per share	American Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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 by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2).

Yes [ ] No [X]

As of August 23, 2002, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately $29,201,000 based upon the closing sale price of the registrant's common stock on the American Stock Exchange of $6.15 on such date. See footnote (1) below.

As of May 23, 2003, there were 7,157,239 shares of the registrant's common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE. Portions of Registrant's 2003 Annual Report to Stockholders are incorporated by reference in Part II, Items 5, 6, 7, and 8.

Index to Exhibits appears after page 21 of this Report

---

(1) The information provided is not an admission that any person whose holdings are excluded from the figure is not an affiliate or that any person whose holdings are included is an affiliate and any such admission is hereby disclaimed. The information provided is solely for recordkeeping purposes of the Securities and Exchange Commission.

ENVIRONMENTAL TECTONICS CORPORATION
ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED
FEBRUARY 28, 2003

TABLE OF CONTENTS

PART I

ITEM 1 - BUSINESS.......... 1

ITEM 2 - PROPERTIES.......... 10

ITEM 3 - LEGAL PROCEEDINGS.......... 11

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.......... 11

PART II

ITEM 5 - MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS.......... 11

ITEM 6 - SELECTED CONSOLIDATED FINANCIAL DATA.......... 11

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.......... 11

ITEM 7A - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.......... 11

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.......... 11

ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.......... 11

PART III

ITEM 10 - DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.......... 12

ITEM 11 - EXECUTIVE COMPENSATION.......... 14

ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.......... 14

ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.......... 16

ITEM 14 - CONTROLS AND PROCEDURES.......... 16

PART IV

ITEM 16 - EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.......... 16

SIGNATURES 19

CERTIFICATIONS 20

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are based on our current expectations and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions about us and our subsidiaries that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements.

These forward-looking statements include statements with respect to our vision, mission, strategies, goals, beliefs, plans, objectives, expectations, anticipations, estimates, intentions, financial condition, results of operations, future performance and business, including but not limited to, (i) projections of revenues, costs of raw materials, income or loss, earnings or loss per share, capital expenditures, growth prospects, dividends, the effect of currency fluctuations, capital structure and other financial items, (ii) statements of our plans and objectives including the introduction of new products, or estimates or predictions of actions by customers, suppliers, competitors or regulating authorities, (iii) statements of future economic performance, (iv) statements of assumptions and other statements about our business, and (v) statements preceded by, followed by or that include the words, "may," "could," "should," "pro forma," "looking forward," "would," "believe," "expect," "anticipate," "estimate," "intend," "plan," or similar expressions. These forward-looking statements involve risks and uncertainties which are subject to change based on various important factors. Some of these risks and uncertainties in whole or in part, are beyond our control. Factors that might cause or contribute to such a material difference include, but are not limited to, those discussed elsewhere in this Annual Report on Form 10-K, including the section entitled "Risks Particular to Our Business." Shareholders are urged to review these risks carefully prior to making an investment in our common stock.

We do not undertake to update any forward-looking statement, whether written or oral, that we may make from time to time or that may be made on our behalf from time to time.

PART I

Item 1. Business

We were incorporated in 1969 in Pennsylvania and are principally engaged in the design, manufacture and sale of software driven products used to create and monitor the physiological effects of motion on humans and equipment and to control, modify, simulate and measure environmental conditions. These products include aircrew training systems, entertainment products, sterilizers, environmental and hyperbaric chambers and other products that involve similar manufacturing techniques and engineering technologies.

Segments

We operate in two primary business segments, Aircrew Training Systems ("ATS") and the Industrial Group.

Aircrew Training Systems. This segment includes three primary product groups: aircrew training devices, entertainment products and disaster management simulation.

> Aircrew Training Devices. Our aircrew training devices are used for medical research, advanced tactical and physiological flight training, and for the indoctrination and testing of military and commercial pilots. The major devices which we sell in this business segment are military and commercial flight simulators, night vision trainers, water survival training equipment, disorientation training equipment, human

centrifuges, ejection seat trainers and vehicle and tank simulators. We provide operational and maintenance services for installed equipment that we manufacture as well as for equipment produced by others.

Entertainment Products. Our entertainment products consist of motion-based simulation rides and other products.

Disaster Management Simulation. Our Disaster Management Simulation line includes real-time interactive training programs that provide instruction on various disaster situations.

The Aircrew Training System segment generated 73%, 70% and 73% of our consolidated revenues for the fiscal years ended February 28, 2003, February 22, 2002 and February 23, 2001, respectively.

Industrial Group. This segment includes three primary product lines: sterilizers, environmental systems and other products, and hyperbarics.

Sterilizers. We manufacture steam and gas sterilizers for various industrial and pharmaceutical applications. We concentrate on marketing larger custom-designed sterilizers to the pharmaceutical and medical device industries.

Environmental Systems and Other Products. Our environmental systems business consists of the design and fabrication of sampling and analysis systems, and test equipment and systems. The simulation systems generally consist of an enclosed chamber with instrumentation and equipment which enable the customer to control and modify environmental factors such as temperature, pressure, humidity, wind velocity and gas content to produce desired conditions. These products include controlled air systems for automotive companies and environmental chambers for HVAC and other applications.

Hyperbarics. Our hyperbarics product line includes monoplace (single person) and multiplace (multiple persons) chambers for high altitude training, decompression and wound care applications.

Sales of Industrial Group products generated 27%, 30% and 27% of our consolidated revenues for the years ended February 28, 2003, February 22, 2002 and February 23, 2001, respectively.

We also provide control upgrades, maintenance and repair services and spare parts for equipment which we manufacture and for equipment made by other manufacturers.

For a more complete description of financial information regarding our business segments, see "Note 9. Business Segment Information" to our consolidated financial statements in the Annual Report to Stockholders attached hereto as Exhibit 13 and incorporated herein by reference.

Marketing

We currently market our products and services primarily through our sales offices and employees. At February 28, 2003, approximately 21 employees were committed to sales and marketing functions. We use branch offices in the United Kingdom, the Middle East, and Asia as well as the services of approximately 100 independent sales organizations in seeking foreign orders for our products.

Product Development

We are continually developing new products and improvements in existing products in response to inquiries from customers and in response to our determination that particular products should be produced or significantly improved. Although we do not have a separate research and development group, we have several technical personnel whose main activity is the development and integration of new technologies into our existing products. These personnel include the Vice-President Engineering Manager and the Vice-President of Development whose additional activity is the introduction of product extensions and new applications of existing technology.

Within the Aircrew Training Systems segment, product development emphasizes enhancing control systems and software graphics and exploring commercial possibilities. Our product development efforts focus on two areas:

- Disaster Management Simulation. We are in production of a major contract from the City of Chicago to develop, install and maintain a computer-based Incident Command Simulator. Additionally, we are completing orders from respected fire schools throughout the world for simulation products. We will continue to explore product applications and extensions to our intelligent virtual reality products.

- G-force and Disorientation Trainers.

  - We recently introduced the Authentic Tactical Flight Simulator Model 400 (ATFS 400), which we believe is the world's first ground-based simulator capable of creating an authentic simulated tactical maneuvering environment. Utilizing proprietary centrifuge and simulation technology, high-fidelity models of the airplane's dynamic performance, the threats experienced by an aircraft in combat and other battle space factors are integrated into the motion controls to create a fully authentic flight environment for any specific combat aircraft.

  - Testing has continued on our high-end rapid onset Sustained G Centrifuge, the G-FET II TFS.

  - We continue to develop our GAT-II(R) General Aviation Trainers.

  - We plan to incorporate additional advanced tactical flight simulation (TFS) applications into additional products in the ATS line.

Our wholly owned subsidiary, Entertainment Technology Corporation, develops and manages all of our future entertainment projects. Product development in this class will emphasize entertainment applications of our proven ATS simulation technology.

We reported research and development expenses of $636,000, $600,000 and $903,000 for the fiscal years ended February 28, 2003, February 22, 2002 and February 23, 2001, respectively. However, most of the cost of our research efforts, which were and continue to be a significant cost of our business, are included in cost of sales for applied research for specific contracts, as well as research for feasibility and technology updates.

Subsidiaries

We presently have three operating subsidiaries. Entertainment Technology Corporation, our wholly-owned subsidiary, is a Pennsylvania corporation that focuses on the development, manufacturing and distribution of our entertainment products. ETC-PZL Aerospace Industries, our 95%-owned subsidiary, is a Polish corporation that manufactures simulators. ETC-Europe, our 99%-owned subsidiary, is a United Kingdom corporation that focuses on generating international sales.

We also have a wholly-owned subsidiary, ETC International Corporation, a Barbados corporation that serves as a foreign sales corporation for federal income tax purposes. ETC-Delaware, our wholly-owned subsidiary, is a Delaware corporation that serves as a holding company.

Supplies

The components being used in the assembly of systems and the parts used to manufacture our products are purchased from equipment manufacturers, electronics supply firms and others. To date, we have had no difficulty in obtaining supplies. Further, all raw materials, parts, components and other supplies which we use to manufacture our products can be obtained at competitive prices from alternate sources should existing sources of supply become unavailable.

Patents and Trademarks

We presently hold the following patents which we deem significant to our operations:

Patent Number	Title	Expiration Date
4,710,120	"Spatial Disorientation Trainer - Flight Simulator"	12/1/04
4,818,001	"Chamber Door Lock"	4/4/06
5,051,094	"G-Force Trainer"	9/24/08

We also hold a trademark on our logo, ETC(R), as well as on the following products:

BARA-MED(R):	Medical hyperbaric chamber
CAS(R):	Conditioned Air Supply
DATAPRINT(R):	Digital printer for sterilizers
GAT-II(R):	General Aviation Trainer
G-LAB(R):	Human Centrifuge
GYROLAB(R):	Spatal disorientation device
GYRO-1(R):	Multi-purpose Basic Instrument Flight Trainer
PRO-GENESIS(R):	Control unit/column for sterilizers
THE RIDE WORKS(R):	Facility for manufacturer of amusement and entertainment rides to the order and specification of others.

Customers

In the current year and throughout most of our history, we have made a substantial portion of sales to a small number of customers that vary within any given year. We do not depend upon repeat orders from these same customers. We sell our aircrew training systems principally to U.S. and foreign governmental agencies. We sell sterilizers and environmental systems to commercial and governmental entities worldwide.

In fiscal 2003, our major customers included the Walt Disney Company and the Royal Malaysian Air Force, generating revenues of $17,268,000 and $7,203,000, or 40.0% and 16.7%, respectively, of total net sales. These companies do not have any relationship with us other than as customers. We expect to continue to conduct business with each of these companies in fiscal 2004, although we expect work with the Walt Disney Company to be significantly reduced.

Foreign and Domestic Operations and Export Sales

During the fiscal years ended February 28, 2003, February 22, 2002 and February 23, 2001, approximately $4,626,000 (11%), $1,194,000 (4%) and $2,064,000 (6%), respectively, of our net revenues were attributable to contracts with agencies of the U.S. government or with other customers who had prime contracts with agencies of the U.S. government.

During the fiscal years ended February 28, 2003, February 22, 2002 and February 23, 2001, $14,805,000 (34%), $10,110,000 (31%) and $16,404,000 (51%), respectively, of our net revenues were attributable to export sales. Our customers' obligations to us with regards to export sales are normally secured by irrevocable letters of credit based on the creditworthiness of the customer and the geographic area of the world in which they are located.

During the fiscal years ended February 28, 2003, February 22, 2002 and February 23, 2001, $23,692,000 (55%), $21,223,000 (65%), and $15,131,000 (46%), respectively, of our net revenues were attributable to domestic sales to customers other than the U.S. government. (See "Note 9. Business Segment Information" to our consolidated financial statements in the Annual Report to Stockholders attached hereto as Exhibit 13 and incorporated herein by reference).

We do not believe that the distribution of our sales between foreign and domestic sales for any particular period is necessarily indicative of the distribution expected for any other period.

We derive a large portion of our sales from long-term contracts requiring more than one year to complete. We account for sales under long-term contracts on the percentage of completion basis. See "Note 1. Summary of Significant Accounting Policies" to our consolidated financial statements in the Annual Report to Stockholders attached hereto as Exhibit 13 and incorporated herein by reference.

Our U.S. government contracts contain standard terms permitting termination for the convenience of the U.S. government. In the event of termination of a government contract, we are entitled to receive reimbursement on the basis of work completed (cost incurred plus a reasonable profit), recording the amounts anticipated to be recovered from termination claims in income as soon as those amounts can be reasonably determined rather than at the time of final settlement. All costs applicable to a termination claim are charged as an offsetting expense concurrently with the recognition of income from the claim.

Backlog

Our sales backlog at February 28, 2003 and February 22, 2002, for work to be performed and revenue to be recognized under written agreements after such dates, was $21,454,000 and $28,148,000, respectively. In addition, our training, maintenance and upgrade contracts backlog at February 28, 2003 and February 22, 2002, for work to be performed and revenue to be recognized after such dates under written agreements, was $3,931,000 and $1,485,000, respectively. Of the February 28, 2003 backlog, we have contracts for approximately $16,428,000 for aircrew training systems and maintenance support, including $7,007,000 for the Royal Malaysian Air Force. Approximately 91% of the February 28, 2003 backlog is expected to be completed prior to February 27, 2004.

Competition

Our business strategy in recent years has been to seek niche markets in which there are not numerous competitors. However, in some areas of our business we compete with well-established firms, some of which have substantially greater financial and personnel resources than we have.

Some competing firms have technical expertise and production capabilities in one or more of the areas involved in the design and production of physiological flight training equipment, environmental systems, and other specially designed products, and compete with us for this business. The competition for any particular project generally is determined by the technological requirements of the project, with consideration also being given to a bidder's reliability, product performance, past performance and price.

We face competition in the sale of the larger custom-designed industrial sterilizers both from other manufacturers and from our customers' in-house production capabilities.

We believe that we are a significant participant in the markets in which we compete, especially in the market for aircrew training systems where we believe that we are a principal provider of this type of equipment and training in our market area.

Compliance with Environmental Laws

We have not incurred during fiscal 2003, nor do we anticipate incurring during fiscal 2004, any material capital expenditures to maintain compliance with federal, state and local statutes, rules and regulations concerning the discharge of materials into the environment, nor do we anticipate that compliance with these provisions will have a material adverse effect on our earnings or competitive position.

Employees

On February 28, 2003, we had 261 full-time employees, of which six were employed in executive positions, 92 were engineers, engineering designers, or draftspeople, 57 were administrative (sales, accounting, etc.) and clerical personnel, and 106 were engaged principally in production and operations.

RISKS RELATED TO OUR BUSINESS

Our sources of revenues are not consistent; in any given fiscal year a substantial portion of our revenues is derived from a small number of customers that may not be recurring customers in future years.

In any given fiscal year, a substantial portion of our revenues is typically derived from a small number of customers. For example, in fiscal 2003 we generated approximately 56.7% of our revenues from sales to two customers, the Walt Disney Company and the Royal Malaysian Air Force. In fiscal 2002, we generated approximately 59% of our revenues from sales to two customers, the Walt Disney Company and the Royal Thai Air Force. In fiscal 2001, we generated approximately 43% of our revenues from sales to two customers, the Walt Disney Company and the United Kingdom Ministry of Defense. We expect the amount of work we do for the Walt Disney Company to decrease in fiscal 2004. We cannot be certain that our most significant customers will continue to order our products and services at the same level at which they have ordered them in the past. Due to the expensive nature and highly specialized market for our products and services, if any of these customers stops purchasing our products and services and we are unable to identify new customers in a timely manner, then our business will be adversely affected.

Our significant debt could adversely affect our financial resources and prevent us from satisfying our debt service obligations.

We have a significant amount of indebtedness and may also incur additional indebtedness in the future. We may not generate sufficient cash flow from operations, or have future borrowings available to us, sufficient to pay our debt. At May 29, 2003, our total indebtedness was approximately $15.5 million and our total stockholders' equity was approximately $25.9 million.

Our ability to make debt payments depends on future performance, which, to a certain extent, is subject to general economic, financial, competitive and other factors, some of which are beyond our control. Based upon our current level of operations and anticipated growth, management believes that available cash flow, together with available credit, will be adequate to meet our financial needs. There can be no assurance, however, that our business will generate sufficient cash flow from operations or that future borrowings will be available in an amount sufficient to enable us to pay our debts or to make necessary capital expenditures, or that any refinancing of debt would be available on commercially reasonable terms or at all.

Our substantial indebtedness could have important consequences including:

- our ability to obtain additional financing for working capital, capital expenditures, acquisitions or other purposes may be impaired or unavailable;
- a portion of cash flow will be used to pay interest expense, which will reduce the funds that would otherwise be available for operations and future business opportunities;
- a substantial decrease in net operating cash flows or an increase in expenses could make it difficult for us to meet our debt service requirements and force us to modify our operations;
- making us more highly leveraged than our competitors, which may place us at a competitive disadvantage;
- making us more vulnerable to a downturn in our business or in the economy generally; and
- some of our existing debt contains financial and restrictive covenants that limit our ability to borrow additional funds, acquire and dispose of assets, and pay cash dividends.

A portion of our outstanding indebtedness bears interest at variable rates. Any increase in interest rates will reduce funds available to us for our operations and future business opportunities and will worsen the consequences of our leveraged capital structure.

Covenants and restrictions in our credit facility limit our ability to take certain actions.

Our credit facility contains significant financial and operating covenants that limit the discretion of management with respect to certain business matters. These covenants include, among others, restrictions on our ability to:

- declare or pay dividends or any other distributions to our securities holders;
- redeem or repurchase capital stock;
- incur certain additional debt;
- grant liens on our assets;
- make certain payments and investments;
- sell or otherwise dispose of assets; and
- acquire or be acquired by other entities.

We must also meet certain financial ratios and tests under our credit facility. If we do not comply with the obligations contained in the credit facility, it could result in an event of default, and possibly the acceleration of the related debt and the acceleration of debt under other instruments evidencing debt that may contain cross-acceleration or cross-default provisions. While we are currently in compliance with our financial covenants, negative operating results would impact our future compliance with these covenants and could adversely affect our business.

Our operations involve rapidly evolving products and technological change.

The rapid change of technology is a key feature of all of the industries in which our businesses operate. To succeed in the future, we will need to continue to design, develop, manufacture, assemble, test, market and support new products and enhancements on a timely and cost-effective basis. Historically, our technology has been developed through both customer-funded and internally funded research and development. We cannot guarantee that we will continue to maintain comparable levels of research and development. This practice will continue to be required in the future. Even so, we cannot assure you that we will successfully identify new opportunities and continue to have the financial resources required to develop new products profitably. At the same time, products and technologies developed by others may render our products and systems obsolete or non-competitive.

Delays in the delivery of our products may prevent us from invoicing our costs and estimated earnings on uncompleted contracts.

In accordance with generally accepted accounting principles for long-term contracts, we record an asset for our costs and estimated earnings that exceed the amount we are able to bill our customers on uncompleted contracts. At February 28, 2003, $5.4 million of our costs and estimated earnings that exceeded our billings on uncompleted contracts related to four contracts with four different customers. We are not able to bill these amounts unless we meet certain contractual milestones related to the production, delivery and integration of our products. Thus, there will be a lag normally ranging from 24 to 36 months between performance and associated costs for these types of projects and billing and collection of payments. Our failure to meet these milestones by delivering and integrating our products in a timely manner may impact our ability to recover our costs and estimated earnings that exceeded our billings on uncompleted contracts, which could severely impact our cash flow.

In the event we suffer production delays, we may be required to pay certain customers substantial liquidated damages and other penalties.

The variety and complexity of our high technology product lines require us to deal with suppliers and subcontractors supplying highly specialized parts, operating highly sophisticated equipment in performing highly technical calculations. The processes of planning and managing production, inventory levels and delivery schedules are also highly complex and specialized. Many of our products must be custom designed and manufactured, which is not only complicated and expensive, but can also require long periods of time to accomplish. Slight errors in design, planning and managing production, inventory levels, delivery schedules, or manufacturing can result in unsatisfactory products that may not be correctable. If we are unable to meet our delivery schedules, we may be subject to penalties, including liquidated damages that are included in some of our customer contracts. While our actual losses have been minimal, we may incur substantial liquidated damages in the future in connection with product delays.

If the commercial simulation business conducted by our Aircrew Training Systems Segment declines, our sales will decrease.

We have no assurance that our commercial simulation business will continue to succeed. Although our commercial simulation business was minimal in fiscal 2003, this segment historically contributes to our gross revenues in each fiscal year. This business is subject to many risks including:

- the uncertainty of economic conditions;

- increased competition;

- changes in technology; and

- the need for timely performance by subcontractors located throughout the world on contracts for which we are the prime contractor.

If we do not adequately address these risks, then our commercial simulation business may decline, adversely affecting our business.

Our fixed-price and cost-reimbursable contracts may commit us to unfavorable terms.

We provide our products and services primarily through fixed-price or cost-reimbursable contracts. Fixed-price contracts provided approximately 60% of our sales for the fiscal year ended February 28, 2003. Under a fixed-price contract, we agree to perform the scope of work required by the contract for a predetermined contract price. Although a fixed-price contract generally permits us to retain profits if the total actual contract costs are less than the estimated contract costs, we bear the risk that increased or unexpected costs may reduce our profit or cause us to sustain losses on the contract. Therefore, unless there are customer-requested changes in scope or other changes in specifications which are reimbursable, we fully absorb cost overruns on fixed-price contracts and this reduces our profit margin on the contract. These cost overruns may result in us recognizing a loss on the contract. A further risk associated with fixed-price contracts is the difficulty of estimating sales and costs that are related to performance in accordance with contract specifications. Our failure to anticipate technical problems, estimate costs accurately or control costs during performance of a fixed-price contract may reduce our profitability or cause a loss.

Cost-reimbursable contracts provided approximately 40% of our sales for the fiscal year ended February 28, 2003. On a cost-reimbursable contract, we are paid up to predetermined funding levels determined by our customers our allowable incurred costs and generally a fee representing a profit on those costs, which can be fixed or variable depending on the contract's pricing arrangement. Therefore, on a cost-reimbursable contract we do not bear the risks of unexpected cost overruns. U.S. government regulations require that we notify our customer of any cost overruns or underruns on a cost-reimbursable contract on a timely basis. If we incur costs in excess of the funding limitation specified in a cost-reimbursable contract, we may not be able to recover those cost overruns.

We record sales and profits on a significant portion of our contracts using percentage-of-completion methods of accounting. As a result, revisions made to our estimates of sales and profits are recorded in the period in which the conditions that require such revisions become known and can be estimated. Although we believe that adequate provisions for losses for our fixed-prices contracts are recorded in our financial statements as required under generally accepted accounting principles, we cannot assure you that our contract loss provisions, which are based on estimates, will be adequate to cover all actual future losses.

Our contracts and subcontracts that are funded by the U.S. government or foreign governments are subject to government regulations and audits and other requirements.

Government contracts require compliance with various contract provisions and procurement regulations. The adoption of new or modified procurement regulations could have a material adverse effect on our business, financial condition or results of operations or increase the costs of competing for or performing government contracts. If we violate any of these regulations, then we may be subject to termination of these contracts, imposition of fines or exclusion from government contracting and government-approved subcontracting for some specific time period. In addition, our contract costs and revenues are subject to adjustment as a result of audits by government auditors. We reflect any adjustments required by government auditors in our financial statements. Although we have thus far not been required to make any material audit adjustments, adjustments may be required in the future. In connection with our government contracts, we have been required to obtain bonds, letters of credit or similar credit enhancements. We cannot assure that we will be successful in obtaining these types of credit enhancements or that the credit enhancements available will be affordable in the future.

Our contracts that are funded by the U.S. government or foreign governments are subject to a competitive bidding process that may affect our ability to win contract awards or renewals in the future.

Government contracts generally are awarded to us through a formal competitive process in which we may have many competitors. Upon expiration, government contracts may be subject, once again, to the competitive process. We cannot assure that we will be successful in winning contract awards or renewals in the future. Our failure to renew or replace government contracts when they expire could have a material adverse effect on our business, financial condition or results of operations. Our contracts with domestic or foreign government agencies are subject to competition and are awarded on the basis of technical merit, personnel qualifications, experience and price. Our business, financial condition and results of operations could be materially adversely affected to the extent that government agencies believe our competitors offer a more attractive combination of the foregoing factors. In addition, new government contract awards also are subject to protest by competitors at the time of award that can result in the re-opening of the competition or evaluation process, the award of a contract to a competitor, or the reopening of the competitive bidding process. We consider bid protests to be a customary element in the process of procuring government contracts. Other characteristics of the government contract market that may affect our operating results include the complexity of designs, the difficulty of forecasting costs and schedules when bidding on developmental and highly sophisticated technical work, and the speed with which product lines become obsolete due to technological advances and other factors characteristic of the market. Our earnings may vary materially on some contracts depending upon the types of government long-term contracts undertaken, the costs incurred in their performance, and the achievement of other performance objectives.

Our commercial contracts are subject to competition and strict performance and other requirements.

Although a significant portion of our revenues are generated from the sale of our services and products in commercial markets, we cannot assure that we will continue to compete successfully in these markets. Many of our commercial contracts contain fixed pricing. This subjects us to substantial risks relating to unexpected cost increases and other factors outside of our control. We may fail to anticipate technical problems, estimate costs accurately, or control costs during performance of a fixed-price contract. Any of these failures may reduce our profit or cause a loss under our commercial contracts. In addition, a significant portion of our revenues on fixed-price contracts are recognized on a percentage-of-completion basis. This means that we calculate a ratio of costs incurred to costs expected to be incurred for each fixed-price job and then multiply that same ratio by the fixed-price contract value to determine total revenue to be recognized to date for each fixed-price job. As a result, contract price and cost estimates on fixed-price contracts are reviewed periodically as the work progresses, and adjustments are reflected in income in the period when the estimates are revised. To the extent that these adjustments result in a loss, reduction or elimination of previously reported profits, we would recognize a charge against current earnings, which could be material and have a negative effect on our business, financial condition or results of operations.

In connection with certain commercial contracts, we have been required to obtain bonds, letters of credit, or similar credit enhancements. We cannot assure that we will be successful in obtaining these types of credit enhancements or that the credit enhancements available will be affordable in the future.

Under the terms of our commercial contracts, we typically must agree to meet strict performance obligations and project milestones, which we may not be able to satisfy. Our failure to meet these performance obligations and milestones permits the other party to terminate the contract and, under certain circumstances, recover liquidated damages or other penalties from us which could have a negative effect on our business, financial condition or results of operations.

There are certain risks inherent in our international business activities, which constitute a significant portion of our business.

Our international business activities expose us to a variety of risks. Our international business accounted for approximately 34.7% of our sales in fiscal 2003 and 31.0% of our sales in fiscal 2002. We expect that international sales will continue to be a significant portion of our overall business in the foreseeable future. Our international business experiences many of the same risks our domestic business encounters as well as additional risks such as:

- a general decline in the strength of the global economy;
- the effect of foreign military or political conflicts and turmoil;
- U.S. foreign policy decisions;
- changes in foreign governmental trade, monetary and fiscal policies and laws;
- export controls;
- exchange rate fluctuations; and

- political and economic instability.

The majority of our contracts are denominated in U.S. Dollars. Despite our exposure to currency fluctuations, we are not engaged in any material hedging activities to offset the risk of exchange rate fluctuations.

Our international transactions frequently involve increased financial and legal risks arising from stringent contractual terms and conditions and widely differing legal systems, customs and standards in foreign countries. In addition, our international sales often include sales to various foreign government armed forces, with many of the same inherent risks associated with U.S. government sales discussed in this Annual Report on Form 10-K.

Legislative actions, higher director and officer insurance costs and potential new accounting pronouncements are likely to cause our general and administrative expenses to increase and impact our future financial condition and results of operations.

In order to comply with the newly adopted Sarbanes-Oxley Act of 2002, as well as changes to the American Stock Exchange listing standards and rules adopted by the Securities and Exchange Commission, we may be required to strengthen our internal controls, hire additional personnel and retain additional outside legal, accounting and advisory services, all of which may cause our general and administrative costs to increase. Although we have not experienced any claims, insurers have increased and are likely to continue to increase premiums as a result of the high claims rates they have incurred with other companies over the past year, and so our premiums for our directors' and officers' insurance policies are likely to increase. Changes in the accounting rules and auditing standards, including legislative and other proposals to account for employee stock options as a compensation expense among others, could materially increase the expenses that we incur and report under generally accepted accounting principles and adversely affect our operating results.

Our estimated sales backlog is not necessarily indicative of revenues that we will actually realize in fiscal year 2004 or at all.

We may not actually generate revenues in fiscal 2004 for all items included in our estimated backlog at the end of our 2003 fiscal year. At February 28, 2003, our sales backlog was $25.4 million. While we estimate that approximately 91% of this backlog is expected to be completed prior to the end of our 2004 fiscal year, we are not certain that these projects will be completed so that we can record these revenues by such date, or at all. Our backlog includes the total value of all contracts less the revenue earned on those contracts through the measurement date. Many of our government contracts are multi-year contracts and contracts with option years, and portions of these contracts are carried forward from one year to the next as part of our backlog. Certain of our large contracts provide that we will not receive payment until the services under those contracts are requested and performed. We cannot assure that cancellations or adjustments in the terms of these contracts might not occur.

Our operations could be hurt by terrorist attacks, war, disease and other activities or occurrences that make air travel difficult or reduce the willingness of our commercial airline customers to purchase our simulation products.

The demand for our various commercial simulation products and services is heavily dependent upon new orders from our commercial airline customers. In the event terrorist attacks, war or other activities or occurrences make air travel difficult or reduce the demand or willingness of our customers to purchase our commercial simulation products, our revenue may decline.

In addition, the occurrence of Severe Acute Respiratory Syndrome ("SARS") has had an adverse effect on travel to countries such as China, Singapore and Thailand and has negatively impacted commerce and economic activity in these countries. We have experienced delays in the performance of our contracts in these countries as our employees and other contractors are unwilling to travel to these countries while the threat of contracting SARS is present. Accordingly, if the SARS epidemic persists, then our business may be adversely affected.

There is limited trading activity in our common stock which could make it more difficult for our investors to sell their shares of our common stock.

Our common stock trades on the American Stock Exchange, but our average daily trading volume during fiscal 2003 was less than 5,000 shares. This limited trading activity may make it more difficult for investors to sell larger blocks of our common stock at prevailing prices as there are generally a small number of participants in the market for our common stock and such sales may lower the market price of our common stock.

The market price of our common stock may be volatile.

The market price of securities of thinly traded public companies has historically faced significant volatility. Although our common stock is traded on the American Stock Exchange, it does not experience a significant average daily trading volume. Accordingly, if one stockholder elects to either purchase or sell a block of our common stock, it may have an effect on the price of our common stock. In addition, the stock market in recent years has experienced significant price and volume fluctuations that often have been unrelated or disproportionate to the operating performance of particular companies. Many factors that have influenced trading prices will vary from period to period, including:

- actual or anticipated operating results;

- changes in estimates by analysts;
- market conditions in the industry;
- changes in our earning and revenues or quarterly operating results;
- announcements by competitors;
- regulatory actions; and
- general economic conditions.

Any of these events would likely affect the market price of our common stock.

Our quarterly operating results may vary significantly from quarter to quarter.

Our revenues and earnings may fluctuate from quarter to quarter based on factors that include the following:

- the number, size and scope of our projects;
- equipment purchases and other expenditures required for our business;
- the number of bid and proposal efforts undertaken;
- delays in sales or production;
- the level of employee productivity;
- the adequacy of our provisions for losses;
- the accuracy of our estimate of resources required to complete ongoing projects; and
- general economic conditions.

Demand for our products and services in each of the markets we serve can vary significantly from quarter to quarter due to revisions in customer budgets or schedules and other factors beyond our control. Due to all of the foregoing factors, our results of operations may fall below the expectations of securities analysts and investors in a particular period. In this event, the price of our common stock may decline.

Our officers and directors own a significant amount of our common stock which permits them to exert significant influence over the direction of our business and affairs.

As of May 15, 2003, our directors and executive officers own an aggregate of approximately 32% of our common stock. Accordingly, these persons, if they act together, will be able to exert significant influence over the direction of our business and affairs.

Item 2. Properties

We own our executive offices and principal production facilities located on a five acre site in the County Line Industrial Park, Southampton, Pennsylvania in an approximately 100,000 square foot steel and masonry building. Approximately 85,000 square feet of the building is devoted to manufacturing and 15,000 square feet of this building is devoted to office space. The original building was erected in 1969 and additions were most recently made in 2001. We have pledged this property as collateral to secure the performance of our obligations under our revolving credit facility with PNC Bank, National Association and our subordinated debt financing with H.F. Lenfest. Additionally, we rent office space at various sales and support locations throughout the world and at ETC-PZL Aerospace Industries, our Polish subsidiary.

We consider our machinery and plant to be in satisfactory operating condition. Increases in the level of operations beyond what we expect in the current fiscal year might require us to obtain additional facilities and equipment.

Item 3. Legal Proceedings

In April 2003, Boenning & Scattergood, Inc. ("B&S") filed suit against us in the Court of Common Pleas in Philadelphia, Pennsylvania, seeking payment of $901,843.46 for financing fees allegedly due to B&S pursuant to the terms of an agreement for investment banking services which we entered into with a predecessor of B&S (the "B&S Agreement"). We have not yet responded to the complaint but believe that we have valid defenses to each of the claims of B&S and intend to vigorously defend ourselves against these claims. At this time, however, we are unable to predict the outcome of this matter.

Certain claims, suits and complaints arising in the ordinary course of business have been filed or are pending against us. In the opinion of management, all such matters are reserved for or are adequately covered by insurance or, if not so covered, are without merit or are of such kind, or involve such amounts as would not have a material adverse effect on our financial position if resolved unfavorably.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were presented to our stockholders during the fourth quarter of fiscal 2003.

PART II

Item 5. Market for the Registrant's Common Stock and Related Security Holder Matters

See information appearing under the heading "Market for the Registrant's Common Stock and Related Stockholder Matters" in the Annual Report to Stockholders attached hereto as Exhibit 13 and incorporated herein by reference.

Item 6. Selected Consolidated Financial Data

See information appearing under the heading "Financial Review" in the Annual Report to Stockholders attached hereto as Exhibit 13 and incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

See information appearing under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Annual Report to Stockholders attached hereto as Exhibit 13 and incorporated herein by reference.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 8. Financial Statements and Supplementary Data

See the information appearing under the headings "Consolidated Financial Statements" and "Notes to Consolidated Financial Statements" in the Annual Report to Stockholders attached hereto as Exhibit 13 and incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

PART III

Item 10. Directors and Executive Officers of the Registrant

The following table sets forth certain information, as of May 15, 2003, with respect to our directors and executive officers:

Name	Age	Served as Director or Officer Since(1)	Positions and Offices
William F. Mitchell (2)	61	1969	Chairman of the Board, President and Director
Richard E. McAdams (3)	67	1985	Executive Vice President and Director
Pete L. Stephens, M.D. (4)	65	1974	Director
Howard W. Kelley (5)	61	2002	Director
George K. Anderson, M.D. (6)	57	2003	Director
H.F. Lenfest (7)	73	2003	Director
Duane D. Deaner (8)	55	1996	Chief Financial Officer

(1) Directors are elected for one-year terms.

(2) Mr. Mitchell has been our Chairman of the Board, President and Chief Executive Officer since 1969, except for the period from January 24, 1986 through January 24, 1987, when he was engaged principally in soliciting sales for our products in the overseas markets. Mr. Mitchell received a Bachelor of Science degree in physics from Drexel University and has completed graduate work in mechanical and electrical engineering. He is a member of the ASME and Drexel University engineering advisory boards. Additionally, he is a member of the Society of Automotive/Aerospace Engineering, the International Society of Pharmaceutical Engineering, the Undersea and Hyperbaric Medical Society, the Aerospace Medical Association, the American Society of Mechanical Engineering and the Institute of Environmental Sciences.

(3) Mr. McAdams has been an employee since 1970. He became a Vice President in 1978 with responsibility for contract administration. He joined our Board of Directors in 1985. Mr. McAdams became Executive Vice President of the Company in 1990. His educational background includes attendance at Rider College and Rutgers University B.S./Business Administration Programs, as well as Contract Administration courses at the College of William and Mary, Temple University and the American Management Association. Mr. McAdams has also served as president and director of the Greater Philadelphia Chapter of the National Contracts Management Association.

(4) Recently retired from the practice of medicine, Dr. Stephens had been a physician engaged in private practice for 30 years. Dr. Stephens graduated from Bethany College and the Medical College of Virginia. He presently serves as Chairman of the Board of Directors of Lowcountry Block and Paver, a manufacturing company located in South Carolina.

(5) Mr. Kelley is President of Sally Corporation, Jacksonville, Florida, which is one of the oldest and largest designers and fabricators of animation robotics and dark ride attractions used worldwide in theme parks, museums and entertainment attractions. He previously spent over 25 years in the broadcasting industry, including ten years in television management as a news director and later as Vice President and General Manager of Channel 12 WTLV (NBC) in Jacksonville, Florida. He is the former Chairman of the Board of Tempus Software, a medical software development firm located in Jacksonville, Florida. He has also previously served as broadcast strategic planner for a major U.S.

communications company and as director of several U.S. technology firms with international business activities. In the academic arena, Mr. Kelley serves as an executive professor at the University of North Florida College of Business Administration, and is a college adjunct instructor on Internet technology and E-commerce on the internet. He is a graduate of the University of Florida and Harvard Business School PMD.

(6) Dr. Anderson is an experienced physician executive and preventive medicine leader. He began his professional career as an Air Force flight surgeon, serving overseas medical duty in Korea and Germany as well as aerospace medicine leadership positions in the United States. Following 30 years of military service, he transitioned to physician executive positions in the private sector. Subsequent to his retirement from the military, he served as Chief Executive Officer of the Koop Foundation from 1997 to 1998 and as President and Chief Executive Officer at Oceania, Inc., a medical software company, from 1999 to 2001. Dr. Anderson's positions in the Air Force include serving as Deputy Assistant Director of Defense (Health Services Operations and Readiness), Commander of the Human Systems Center, Air Force Material command, which included the Armstrong Laboratory, the School of Aerospace Medicine and the Human Systems Program Office. He retired from active duty in the grade of Major General.

(7) Mr. Lenfest practiced law with Davis Polk & Wardwell before joining Triangle Publications, Inc., in Philadelphia as Associate Counsel in 1965. In 1970, Mr. Lenfest was placed in charge of Triangle's Communications Division, serving as Editorial Director and Publisher of Seventeen Magazine and President of the CATV Operations. In 1974, Mr. Lenfest, with the support of two investors, formed Lenfest Communications, Inc., which purchased Suburban Cable TV Company and Lebanon Valley Cable TV Company from Triangle with a total of 7,600 subscribers. In January 2000, Mr. Lenfest sold his cable television operations, which by then served 1.2 million subscribers, to Comcast Corporation but still retains interests in companies principally involved in national satellite promotion of cable programming and software for marketing cable advertising and marketing promotions. Additionally, Mr. Lenfest is the owner of various other businesses in Pennsylvania and Maryland and is active in many philanthropic activities including the Chairman of the Board of the Philadelphia Museum of Art and the Lenfest Foundation.

(8) Mr. Deaner has served as our Chief Financial Officer since January 1996. Mr. Deaner served as Vice President of Finance for Pennfield Precision Incorporated from September 1988 to December 1995. Mr. Deaner received an MBA in Finance from Temple University and a B.A. in Mathematics from Millersville University in Pennsylvania.

Committees of the Board of Directors

During the fiscal year ended February 28, 2003, the Board of Directors held five meetings. All members of the Board of Directors attended all of the meetings of the Board of Directors held while they were members of the Board of Directors.

During the fiscal year ended February 28, 2003, we had an Audit Committee consisting of Mr. David Lazar and Mr. Stephens. Although the Audit Committee did not hold formal meetings, both members of the Audit Committee reviewed our Quarterly Reports on Form 10-Q and our Annual Report on Form 10-K with management and our external auditors. Although not formally elected the Chairman of the Audit Committee, Mr. Lazar did satisfy the financial sophistication requirements of the American Stock Exchange. In addition, Mr. Stephens satisfied the financial literacy requirements of the American Stock Exchange. Mr. Lazar resigned from the Board of Directors in December 2002.

Mr. Howard Kelley has replaced Mr. Lazar on the Audit Committee and we expect that he will be elected the Chairman of the Audit Committee and that Dr. Anderson will be appointed to the Audit Committee at a future meeting of our Board of Directors. We believe that Mr. Kelley satisfies the financial sophistication requirements of the American Stock Exchange and that Dr. Anderson satisfies the financial literacy requirements of the American Stock Exchange. The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of our independent accountants in their preparation or issuance of an audit report or the performance of other audit and review services.

Mr. Stephens also served on our Compensation Committee during the year ended February 28, 2003. The Compensation Committee is charged with reviewing the compensation and incentive plans of officers and key personnel. Since no changes were contemplated in the compensation and incentive plans of our officers and key personnel, the Compensation Committee did not hold any formal meetings. We expect that Mr. Kelley and Dr. Anderson will also be appointed to the Compensation Committee at a future meeting of our Board of Directors.

Our directors who do not serve as officers are paid $1,000 for meetings of the Board of Directors which they attend. No additional compensation is paid for attending committee meetings.

Compliance With Section 16(a) of the Exchange Act

Section 16(a) of the Securities Exchange Act of 1934 requires our officers and directors, and persons who own more than ten percent of a registered class of our equity securities to file reports of ownership and changes in ownership with the Securities and Exchange Commission ("SEC") and the American Stock Exchange. Officers, directors and greater than ten percent shareholders are required by SEC regulations to furnish us with copies of all Section 16(a) reports they file. The rules of the SEC regarding the filing of Section 16(a) reports require that "late filings" of Section 16(a) reports be disclosed in our proxy statement.

Based solely on our review of the copies of such forms which we received, or written representations from reporting persons that no Section 16(a) reports were required for those persons, we believe that, during the fiscal year ended February 28, 2003, our officers, directors and greater than ten percent beneficial owners complied with all applicable filing requirements except for Mr. McAdams, who had one late filing, Mr. Kelley who had two late filings, Mr. Stephens who had three late filings, and Mr. Mitchell, who had three late filings, two of which reported gifts of common stock to his family members.

Item 11. Executive Compensation

SUMMARY COMPENSATION TABLE

The following table sets forth the compensation we paid to our Chief Executive Officer for services rendered during fiscal years 2003, 2002 and 2001. There are no other executive officers whose total annual salary and bonus exceeds $100,000. The footnotes to the table provide additional information concerning our compensation and benefit programs.

		Annual Compensation			
Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)(1)	Other Annual Compensation (2)	All Other Compensation ($)(3)
William F. Mitchell,	2003	225,000	0	--	4,493
President and Chief	2002	225,000	10,051	--	4,413
Executive Officer	2001	225,000	10,969	--	4,000

(1) These amounts represent a portion of a deferred bonus from fiscal 1999

due 75% in 1999 and 5% in each of the five following fiscal years. No bonus awards for fiscal 2001, 2002 or 2003 were paid. No deferred bonus amounts from fiscal 1999 were paid in fiscal 2003.

(2) Our executive officers receive certain perquisites. For fiscal years 2001, 2002 and 2003, the perquisites received by Mr. Mitchell did not exceed the lesser of $50,000 or 10% of his salary and bonus.

(3) These amounts represent our contribution to ETC's Retirement Savings Plan.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth as of May 15, 2003, the number of shares and percentage of our common stock owned beneficially by each director, each executive officer named in the Summary Compensation Table, and each person holding, to our knowledge, more than 5% of our outstanding common stock. The table also sets forth the holdings of all directors and executive officers as a group.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)	Percent of Common Stock
William F. Mitchell (2) c/o Environmental Tectonics Corporation County Line Industrial Park Southampton, PA 18966	1,624,398	22.7%
Pete L. Stephens, M.D. (3) 31 Ribaut Drive Hilton Head Island, SC 29926	684,600(4)	9.6%
Richard E. McAdams (3) c/o Environmental Tectonics Corporation County Line Industrial Park Southampton, PA 18966	51,037(5)	*
Howard W. Kelley (3) c/o Sally Corporation 745 West Forsyth Street Jacksonville, FL 32204	685	*
T. Todd Martin, III 50 Midtown Park East Mobile, AL 36606	1,120,520(6)	14.8%
H.F. Lenfest (3) c/o The Lenfest Group 1332 Enterprise Drive West Chester, PA 19380	2,621,230(7)	26.8%
Emerald Advisors, Inc. 1703 Oregon Pike Suite 101 Lancaster, PA 17601	1,440,200(8)	20.1%

George K. Anderson, M.D. (3) 8034 Kidwell Hill Court Vienna, VA 22182	0	*
All directors and executive officers as a group (7 persons)	4,993,391(9)	50.8%

---

* less than 1%

(1) Beneficial ownership has been determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934. Unless otherwise noted, we believe that all persons named in the table have sole voting and investment power with respect to all shares of our common stock beneficially owned by them.

(2) Chairman of the Board, President and Director of the Corporation. Includes 155,200 shares of common stock held by Mr. Mitchell's wife.

(3) Director of the Company.

(4) Includes 292,770 shares of common stock held by or for the benefit of Dr. Stephens' wife and two of his children.

(5) Includes options to purchase 36,550 shares of common stock held under our stock option plan which are presently exercisable.

(6) Includes 537,700 shares of common stock and 437,820 shares of common stock underlying presently exercisable warrants to purchase shares of common stock owned by ETC Asset Management, LLC, a limited liability company of which T. Todd Martin, III is manager. Also includes 79,800 shares of common stock owned by Mr. Martin, 26,900 shares owned by Allied Williams Co, Inc., a corporation of which Mr. Martin is an officer and director, 17,000 shares owned by Equity Management, LLC, a limited liability company of which Mr. Martin is manager, 14,300 shares owned by Mr. Martin jointly with his spouse, and 7,000 shares owned by trusts of which Mr. Martin is trustee.

(7) These shares consist of 2,621,230 shares of common stock issuable upon conversion of a promissory note in the principal amount of $10,000,000 and exercise of warrants to purchase shares of common stock.

(8) As of May 15, 2003, Emerald Advisors, Inc. has a sole voting power with respect to 866,560 shares of common stock and sole dispositive power over 1,440,200 shares of common stock.

(9) Includes 36,550 shares of common stock which may be acquired by Mr. McAdams upon the exercise of options granted under our stock option plan that are presently exercisable, 11,441 shares of common stock which may be acquired by Duane Deaner, our chief financial officer, upon the exercise of options granted under our Incentive Stock Option Plan that are presently exercisable and 2,621,230 shares of common stock which may be acquired by H.F. Lenfest upon conversion of a promissory note in the principal amount of $10,000,000 that is presently convertible and the exercise of warrants to purchase shares of common stock which are presently exercisable.

For information regarding our equity compensation plans, please see the Equity Compensation Plan Information section of the Annual Report to Stockholders attached hereto as Exhibit 13 and incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

On February 19, 2003, we completed a refinancing of our indebtedness with the PNC Bank, National Association and H.F. Lenfest in the aggregate amount of $29,800,000. Pursuant to the terms of a Convertible Note and Warrant Purchase Agreement, dated February 18, 2003, between us and Mr. Lenfest, we issued to Mr. Lenfest (i) a 10% senior subordinated convertible promissory note in the original principal amount of $10,000,000 and (ii) warrants to purchase 803,048 shares of our common stock. As a condition to closing the financing, we appointed Mr. Lenfest to our Board of Directors. (For a more detailed description of the financing provided by Mr. Lenfest and PNC, see the Liquidity and Capital Resources section of the Annual Report to Stockholders attached as Exhibit 13 to this Annual Report on Form 10-K and incorporated herein by reference).

Prior to the consummation of the refinancing, ETC Asset Management, LLC, a shareholder and a holder of warrants to purchase 332,820 shares of our common stock, consented to the financing transactions with PNC and Lenfest including the below market issuance of warrants to Mr. Lenfest. As a result of its consent, ETC Asset Management waived, solely in connection with such issuance, the anti-dilution rights contained in its warrant. In exchange for ETC Asset Management's consent and waiver, we issued to ETC Asset Management warrants to purchase an additional 105,000 shares of common stock. Except for the number of shares issuable upon exercise of the warrants, the new ETC Asset Management warrants have substantially the same terms as the warrants issued to Mr. Lenfest. As of the date that these warrants were issued to ETC Asset Management, it was the beneficial owner of greater than 5% of our common stock as determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934. (For a more detailed description of the financing provided by Mr. Lenfest and PNC, see the Liquidity and Capital Resources section of the Annual Report to Stockholders attached as Exhibit 13 to this Annual Report on Form 10-K as incorporated herein by reference).

Item 14. Controls and Procedures

Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures within 90 days of the filing date of this Annual Report on Form 10-K, and, based on their evaluation, our chief executive officer and chief financial officer have concluded that these controls and procedures were effective as of the date of the evaluation. There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

Disclosure controls and procedures are our internal controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Securities Exchange Act of 1934 is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

PART IV

Item 16. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) Exhibits:

Number	Item
3.1	Registrant's Articles of Incorporation, as amended, were filed as Exhibit 3.1. to Registrant's Form 10-K for the year ended February 28, 1997 and are incorporated herein by reference.
3.2	Registrant's By-Laws, as amended, were filed as Exhibit 3(ii) to Registrant's Form 10-K for the year ended February 25, 1994 and are incorporated herein by reference.
4.1	$10,000,000 Senior Subordinated Convertible Note, dated February 18, 2003, issued by the Registrant in favor of H.F. Lenfest was filed on February 25, 2003 as Exhibit 4.1 to Form 8-K and is incorporated herein by reference.
4.2	Stock Purchase Warrant, dated February 18, 2003, issued by the Registrant in favor of H.F. Lenfest was filed on February 25, 2003 as Exhibit 4.2 to Form 8-K and is incorporated herein by reference.
4.3	Stock Purchase Warrant, dated February 18, 2003, issued by the Registrant in favor of ETC Asset Management, LLC was filed on February 25, 2003 as Exhibit 4.3 to Form 8-K and is incorporated herein by reference.
10.1	Registrant's 1998 Stock Option Plan was filed on October 8, 1998 on Form S-8 and is incorporated herein by reference.*

Number	Item
10.2	Registrant's Employee Stock Purchase Plan was filed on July 6, 1988 as Exhibit A to the Prospectus included in Registrant's Registration Statement (File No. 33-42219) on Form S-8 and is incorporated herein by reference. *
10.3	Registrant's Stock Award Plan adopted April 7, 1993, was filed as Exhibit 10(ix) to the Registrant's Form 10-K for the fiscal year ended February 25, 1994 and is incorporated herein by reference. *
10.4	Stock Purchase Warrant dated as of December 26, 2001, issued by the Registrant to the Registrant Asset Management, LLC was filed as Exhibit 10.7 to the Registrant's Form 10-K for the fiscal year ended February 22, 2002 and is incorporated herein by reference.
10.5	Credit Agreement, dated as of February 18, 2003 between the Registrant and PNC Bank, National Association was filed on February 25, 2003 as Exhibit 10.1 to Form 8-K and is incorporated herein by reference.
10.6	Amendment to Credit Agreement, dated as of April 30, 2003, between the Registrant and PNC Bank.
10.7	Amended and Restated Revolving Credit Note, dated April 30, 2003, issued by the Registrant in favor of PNC Bank.
10.8	Security Agreement, made and entered into as of February 18, 2003, by and between the Registrant, Entertainment Technology Corporation, ETC Delaware, Inc. and PNC Bank was filed on February 25, 2003 as Exhibit 10.3 to Form 8-K and is incorporated herein by reference.
10.9	Pledge Agreement, dated as of February 18, 2003, made by the Registrant in favor of PNC Bank was filed on February 25, 2003 as Exhibit 10.4 to Form 8-K and is incorporated herein by reference.
10.10	Pledge Agreement (Bank Deposits), dated as of February 18, 2003, made by the Registrant in favor of PNC Bank was filed on February 25, 2003 as Exhibit 10.5 to Form 8-K and is incorporated herein by reference.
10.11	Guaranty, dated as of February 18, 2003, made by Entertainment Technology Corporation and ETC Delaware, Inc. in favor of PNC Bank was filed on February 25, 2003 as Exhibit 10.6 to Form 8-K and is incorporated herein by reference.
10.12	Open-End Mortgage and Security Agreement, made as of February 18, 2003, by the Registrant in favor of PNC Bank was filed on February 25, 2003 as Exhibit 10.7 to Form 8-K and is incorporated herein by reference.
10.13	Convertible Note and Warrant Purchase Agreement, dated February 18, 2003, by and between the Registrant and Lenfest was filed on February 25, 2003 as Exhibit 10.8 to Form 8-K and is incorporated herein by reference.
10.14	Registration Rights Agreement, dated as of February 18, 2003, by and between the Registrant and H.F. Lenfest was filed on February 25, 2003 as Exhibit 10.9 to Form 8-K and is incorporated herein by reference.
10.15	Security Agreement, made and entered into as of February 18, 2003, by and among the Registrant, Entertainment Technology Corporation, ETC Delaware, Inc. and H.F. Lenfest was filed on February 25, 2003 as Exhibit 10.10 to Form 8-K and is incorporated herein by reference.
10.16	Guaranty, dated as of February 18, 2003, made by Entertainment Technology Corporation and ETC Delaware, Inc. in favor of H.F. Lenfest was filed on February 25, 2003 as Exhibit 10.11 to Form 8-K and is incorporated herein by reference.
10.17	Open-End Mortgage and Security Agreement, made as of February 18, 2003, by the Registrant in favor of H.F. Lenfest was filed on February 25, 2003 as Exhibit 10.12 to Form 8-K and is incorporated herein by reference.
10.18	Subordination and Intercreditor Agreement, dated as of February 18, 2003, among PNC Bank, H.F. Lenfest and the Registrant was filed on February 25, 2003 as Exhibit 10.13 to Form 8-K and is incorporated herein by reference.
13	Portions of Registrant's 2003 Annual Report to Shareholders which are incorporated by reference into this Form 10-K
21	Subsidiaries of the Registrant
23	Consent of Grant Thornton LLP
99.1	Certification dated May 29, 2003 pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 made by William F. Mitchell, Chief Executive Officer.

Number	Item
99.2	Certification dated May 29, 2003 pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 made by Duane D. Deaner, Chief Financial Officer.

* Represents a management contract or a compensatory plan or arrangement.

(b) Reports on Form 8-K:

(i) A Current Report on Form 8-K was filed on December 24, 2002, reporting the termination of a refinancing arrangement and the reclassification of our existing indebtedness from long term debt to current liabilities.

(ii) A Current Report on Form 8-K was filed February 25, 2003, reporting the completion of a refinancing of our indebtedness with PNC Bank, National Association, and H.F. Lenfest.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ENVIRONMENTAL TECTONICS CORPORATION

By William F. Mitchell

William F. Mitchell,
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Position	Date
William F. Mitchell ----------------------- William F. Mitchell	Chairman of the Board, Chief Executive Officer, President and Director (Principal Executive Officer)	May 29, 2003
Duane D. Deaner ------------------- Duane D. Deaner	Chief Financial Officer (Principal Financial and Accounting Officer)	May 29, 2003
Richard E. McAdams ---------------------- Richard E. McAdams	Director	May 29, 2003
Pete L. Stephens -------------------- Pete L. Stephens	Director	May 29, 2003
Howard W. Kelley -------------------- Howard W. Kelley	Director	May 29, 2003
H.L. Lenfest ---------------- H.L. Lenfest	Director	May 29, 2003
George K. Anderson ------------------------ George K. Anderson, M.D.	Director	May 29, 2003

CERTIFICATION

I, William F. Mitchell, certify that:

1. I have reviewed this annual report on Form 10-K of Environmental Tectonics Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to

make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

   a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   c) Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 29, 2003

By: William F. Mitchell

William F. Mitchell
President and Chief Executive Officer

CERTIFICATION

I, Duane D. Deaner, certify that:

1. I have reviewed this annual report on Form 10-K of Environmental Tectonics Corporation;

2. Based on my knowledge, this annual report does not contain any untrue

statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

   a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   c) Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 29, 2003

By: Duane D. Deaner

Duane D. Deaner
Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Item

10.6 Amendment to Credit Agreement, dated as of April 30, 2003, between the Registrant and PNC Bank.

10.7 Amended and Restated Revolving Credit Note, dated April 30, 2003, made by the Registrant in favor of PNC Bank.

13 Portions of Registrant's 2003 Annual Report to Shareholders which are incorporated by reference into this Form 10-K.

21 Subsidiaries of the Registrant.

23 Consent of Grant Thornton LLP.

99.1 Certification dated May 29, 2003 pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 made by William F. Mitchell, Chief Executive Officer.

99.2 Certification dated May 29, 2003 pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 made by Duane D. Deaner, Chief Financial Officer.

EXHIBIT 10.6

AMENDMENT TO CREDIT AGREEMENT

This AMENDMENT TO CREDIT AGREEMENT (this "Amendment") is made as of the 30th day of April, 2003, between ENVIRONMENTAL TECTONICS CORPORATION (the "Borrower") and PNC BANK, NATIONAL ASSOCIATION (the "Bank").

BACKGROUND

A. The Bank and the Borrower are parties to a Credit Agreement dated as of February 18, 2003 (the "Credit Agreement"), pursuant to which the Bank agreed to make Revolving Credit Loans and issue Letters of Credit to and on behalf of the Borrower.

B. The Borrower has requested that the Bank amend the Credit Agreement, and the Bank has agreed to do so on and subject to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and for good and valuable consideration, the legality and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Definitions. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to them in the Credit Agreement.

2. Amendments to Credit Agreement.

The Credit Agreement is hereby amended as follows:

(a) The definition of "Borrowing Base" is hereby amended and restated to read in full as follows:

> "Borrowing Base": the sum of (i) 80% of Eligible Receivables plus (ii) the lesser of (A) 50% of Eligible Inventory and (B) $2,000,000, plus (iii) the lesser of (A) 50% of Eligible Costs and Earnings and (B) $4,000,000, provided, however, that for purposes of determining the Borrowing Base, the Existing Centrifuge shall be included therein as Eligible Costs and Earnings at 50% of its actual cost plus profit if it is subject to a binding agreement of sale and is carried as "costs in excess of billings" on the books of the Borrower or, during the period commencing on the Closing Date and ending six months thereafter, (x) as Eligible Inventory at 25% of its actual cost if it is not subject to a binding agreement of sale or letter of intent for sale or (y) as Eligible Inventory at 50% of its actual cost if it is subject to a binding agreement of sale or letter of intent for sale and is carried as "inventory" on the books of the Borrower, plus (iv) the amount on deposit in the Cash Collateral Account, less (v) any Permitted Overadvance, all as set forth in the most recent Borrowing Base Certificate delivered to the Bank."

(b) The definitions of the terms "Cash Collateralized Letters of Credit," "Cash Collateralized Letters of Credit Commitment," "Cash Collateralized Letters of Credit Commitment Period," "Cash Collateralized Letters of Credit Obligations" and "Cash Collateralized Letters of Credit Termination Date" appearing in Section 1.1 of the Credit Agreement are hereby deleted;

(c) The definition of "Commitments" appearing in Section 1.1 of the Credit Agreement is hereby amended by deleting the phrase "and the Cash Collateralized Letter of Credit Commitment" appearing therein;

(d) The definition of "Letters of Credit" appearing in Section 1.1 of the Credit Agreement is hereby deleted and all other references in the Loan Documents to "Letters of Credit" shall be changed to "Revolving Credit Letters of Credit;"

(e) The definition of "Revolving Credit Commitment" appearing in Section 1.1 of the Credit Agreement is hereby amended by deleting the dollar amount "Twelve Million Dollars ($12,000,000)" appearing therein and inserting the amount "Fourteen Million Eight Hundred Thousand Dollars ($14,800,000)" in lieu thereof;

(f) The definition of "Reimbursement Obligation" appearing in Section 1.1 of the Credit Agreement is hereby amended and restated to read in full as follows:

> "Reimbursement Obligation": the obligation of the Borrower to reimburse the Bank pursuant to subsection 2.1(d) for amounts drawn under the Revolving Credit Letters of Credit.

(g) The definition of "Total Funded Debt" appearing in Section 1.1 of the Credit Agreement is hereby amended by deleting the phrase "or Cash Collateralized Letters of Credit" from the first parenthetical appearing therein;

(h) Section 2.1(d) of the Credit Agreement is hereby amended and restated to read in full as follows:

> (d) Subject to the terms and conditions hereof, the Bank shall during the Revolving Credit Commitment Period issue or cause the issuance of letters of credit ("Revolving Credit Letters of Credit") on behalf of the Borrower; provided, however, that the Bank will not be required to issue or cause to be issued any Revolving Credit Letter of Credit which expires later than the Revolving Credit Termination Date or to the extent that the face amount of such Revolving Credit Letters of Credit would exceed the Available Revolving Credit Commitment; provided further, that the Bank shall not be required to issue any Revolving Credit Letter of Credit if, after giving effect to such issuance, the Borrower would not be in compliance with any of the applicable financial ratios set forth in Section 6.1. The maximum amount of outstanding Revolving Credit Letters of Credit shall not exceed $10,300,000 at any time; the maximum amount of outstanding Revolving Credit Letters of Credit which are standby letters of credit shall not exceed $7,800,000 at any time; and the maximum amount of outstanding Revolving Credit Letters of Credit which are trade letters of credit shall not exceed $2,500,000 at any time. The Borrower shall be required immediately to reimburse the Bank any amounts paid by the Bank pursuant to drawings on Revolving Credit Letters of Credit. All payments by the Bank of drawings on Revolving Credit Letters of Credit shall become, at the time such drawings are paid, Revolving Credit Loans and shall bear interest at the applicable Base Rate until repaid in full.

(i) Section 2.1(e) of the Credit Agreement is hereby deleted in its entirety and Section 2.1(f) of the Credit Agreement is hereby renumbered as Section 2.1(e);

(j) Section 2.9(a) is hereby amended by deleting the phrase "and the Cash Collateralized Letters of Credit Commitment shall be automatically terminated on the Cash Collateralized Letters of Credit Termination Date" appearing in the first sentence therein; and

(k) Section 2.9(b) is hereby amended by deleting the phrase "or the Cash Collateralized Letter of Credit Commitment" appearing therein.

3. Line of Credit Note. In order to evidence the increase in the maximum principal amount available under the Revolving Credit Commitment to $14,800,000, the Borrower shall execute and deliver to the Bank an Amended and Restated Revolving Credit Note (the "Amended and Restated Revolving Credit Note") in the form attached hereto as Exhibit A.

4. Letters of Credit. As of the date hereof, any letter of credit other than the Bond Letter of Credit issued and outstanding under the Credit Agreement, including Cash Collateralized Letters of Credit issued under the Credit Agreement as in effect prior to the execution of this Amendment, shall be deemed to be Revolving Credit Letters of Credit subject to Section 2.1(d) of the Credit Agreement, as amended by this Amendment.

5. Amendments to Loan Documents. All references to the Credit Agreement in any of the Loan Documents shall be deemed to refer to the Credit Agreement, as amended by this Amendment and all references to the Revolving Credit Note in any of the Loan Documents shall be deemed to refer to the Amended and Restated Revolving Credit Note.

6. Ratification. Except as the provisions thereof have been expressly amended or waived by this Amendment, the Credit Agreement and the other Loan Documents shall continue to be, and shall remain, unaltered and in full force and effect in accordance with their terms. The Borrower hereby affirms all the provisions of the Loan Documents, as amended or modified by this Amendment.

7. Representations and Warranties.

(a) The Borrower hereby certifies that (i) the representations and warranties of the Borrower in the Credit Agreement are true and correct in all material respects as of the date hereof, as if made on the date hereof and (ii) no Event of Default and no event which could become an Event of Default with the passage of time or the giving of notice, or both, under the Credit Agreement or the other Loan Documents exists on the date hereof.

(b) The Borrower further represents that it has all the requisite power and authority to enter into and to perform its obligations under this Amendment, and that the execution, delivery and performance of this Amendment and the Amended and Restated Revolving Credit Note have been duly authorized by all requisite action and will not violate or constitute a default under any provision of any applicable law, rule, regulation, order, writ, judgment, injunction, decree, determination or award presently in effect or of the Articles of Incorporation or by-laws of the Borrower, or of any indenture, note, loan or credit agreement, license or any other agreement, lease or instrument to which the Borrower is a party or by which the Borrower or any of its properties are bound.

(c) The Borrower also further represents that its obligation to repay the Loans, together with all interest accrued thereon, is absolute and unconditional, and there exists no right of set off or recoupment, counterclaim or defense of any nature whatsoever to payment of the Loans.

(d) The Borrower also further represents that there have been no changes to the Articles of Incorporation, by-laws or other organizational documents of the Borrower since the most recent date true and correct copies thereof were delivered to the Bank.

8. Conditions Precedent. The effectiveness of this Amendment is subject to the fulfillment, to the satisfaction of the Bank and its counsel, of the following conditions precedent:

(a) The Borrower shall have delivered to the Bank the following, all of which shall be in form and substance satisfactory to the Bank and shall be duly completed and executed:

(i) This Amendment, executed by the Borrower;

(ii) The executed original of the Amended and Restated Revolving Credit Note; and

(iii) Such additional documents, certificates and information as the Bank may require pursuant to the terms hereof or otherwise reasonably request.

(b) After giving effect to the amendments contained herein, the representations and warranties set forth in the Credit Agreement shall be true and correct on and as of the date hereof.

(c) After giving effect to the amendments contained herein, no Event of Default hereunder, and no event which, with the passage of time or the giving of notice, or both, would become such an Event of Default shall have occurred and be continuing as of the date hereof.

9. No Waiver. Except as expressly provided herein, this Amendment does not and shall not be deemed to constitute a waiver by the Bank of any Event of Default, or of any event which with the passage of time or the giving of notice or both would constitute an Event of Default, nor does it obligate the Bank to agree to any further modifications to the Loan Agreement or any other Loan Document or constitute a waiver of any of the Bank's other rights or remedies.

10. Release and Indemnity. Recognizing and in consideration of the Bank's agreement to the amendments set forth herein, the Borrower hereby waives and releases the Bank and its officers, attorneys, agents, and employees from any liability, suit, damage, claim, loss or expense of any kind or nature whatsoever and howsoever arising the Borrower ever had or now has against any of them arising out of or relating to the Bank's acts or omissions with respect to this Amendment, the Credit Agreement, the other Loan Documents or any other matters described or referred to herein or therein. The Borrower further hereby agrees to indemnify and hold the Bank and its officers, attorneys, agents and employees harmless from any loss, damage, judgment, liability or expense (including counsel fees) suffered by or rendered against the Bank on account of anything arising out of this Amendment, the Credit Agreement, the other Loan Documents or any other document delivered pursuant thereto up to and including the date hereof; provided that, the Borrower shall not have any obligation hereunder to the Bank with respect to indemnified liabilities arising from the gross negligence or willful misconduct of the Bank.

11. Severability. Any provision of this Amendment which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

12. Miscellaneous.

(a) Expenses. The Borrower agrees to pay all of the Bank's out-of-pocket fees and expenses incurred in connection the preparation, negotiation and execution of this Amendment and the other documents executed in connection.

(b) Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

(c) Successor and Assigns. The terms and provisions of this Amendment shall be binding upon and shall inure to the benefit of the Borrower and the Bank and their respective successors and assigns.

(d) Counterparts. This Amendment may be executed in one or more counterparts, each of which shall be deemed to be an original, and all of which shall constitute one and the same instrument.

(e) Headings. The headings of any paragraph of this Amendment are for convenience only and shall not be used to interpret any provision hereof.

(f) Modifications. No modification hereof or any agreement referred to herein shall be binding or enforceable unless in writing and signed on behalf of the party against whom enforcement is sought.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the day and year first above written.

Borrower: ENVIRONMENTAL TECTONICS CORPORATION

By: Duane D. Deaner

Name: Duane D. Deaner
Title: Chief Financial Officer

Bank: PNC BANK, NATIONAL ASSOCIATION

By: John G. Siegrist

Name: John G. Siegrist
Title: Vice President

EXHIBIT A

AMENDED AND RESTATED REVOLVING CREDIT NOTE

$14,800,000

April ___, 2003
Philadelphia, PA

FOR VALUE RECEIVED, ENVIRONMENTAL TECTONICS CORPORATION (the "Borrower"), hereby unconditionally promises to pay to the order of PNC BANK, NATIONAL ASSOCIATION (the "Bank"), at the office of the Bank located at 1600 Market Street, Philadelphia, Pennsylvania, 19103, on the Revolving Credit Termination Date (as such term is defined in the Credit Agreement hereinafter referred to) in lawful money of the United States of America and in immediately available funds, the principal sum of (a) FOURTEEN MILLION EIGHT HUNDRED THOUSAND DOLLARS ($14,800,000), or, if less, (b) the aggregate unpaid principal amount of all Revolving Credit Loans made by the Bank to the Borrower pursuant to the Credit Agreement. The Borrower further unconditionally agrees to pay interest accrued on the unpaid principal amount outstanding hereunder from time to time from the date hereof in like money at such office at the rates and on the dates specified in the Credit Agreement together with all other costs, fees and expenses as provided in the Credit Agreement.

The holder of this Note is authorized to endorse on Schedule 1 annexed hereto and made a part hereof or on a continuation thereof which shall be attached hereto and made a part hereof the respective date, Type, and amount of each Revolving Credit Loan made by the Bank to the Borrower, each continuation thereof, each conversion of all or a portion thereof to another Type, the date and amount of each payment or prepayment of principal thereof and, in the case of Eurodollar Loans, the length of each Interest Period with respect thereto, which endorsement shall constitute prima facie evidence of the accuracy of the information endorsed absent manifest error; provided, however, that the failure to make any such endorsement (or any error in such recordation) shall not affect the obligations of the Borrower to make payments of principal, interest and other amounts outstanding in accordance with the terms of this Note and the Credit Agreement.

This Note amends and completely restates and evidences the indebtedness outstanding under and is substituted for, but not in payment, satisfaction, cancellation or novation of, the Revolving Credit Note dated February 18, 2003 issued by the Borrower to the Bank and, as of the date hereof, shall be deemed to be the Revolving Credit Note referred to in, evidences indebtedness incurred under, and is entitled to the benefits of, the Credit Agreement, dated as of the date hereof (as it may be amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), between the Borrower and the Bank. The Credit Agreement, among other things, contains provisions for the acceleration of the maturity hereof upon the happening of certain events, for optional or mandatory prepayments of the principal hereof prior to the maturity thereof, for a higher rate of interest upon the occurrence of an Event of Default and for certain security interests granted by the Borrower and certain related entities. Reference is made to the Credit Agreement and the other Loan Documents for a statement of the terms and conditions under which the Revolving Credit Loans evidenced hereby have been secured.

Upon the occurrence of any one or more of the Events of Default specified in the Credit Agreement, all amounts then remaining unpaid on this Note shall become, or may be declared to be, immediately due and payable, all as provided therein.

All parties now and hereafter liable with respect to this Note, whether maker, principal, surety, guarantor, endorser or otherwise, hereby waive presentment, demand, protest and notice (except as required under the Credit Agreement) of any kind. No failure to exercise, and no delay in exercising, any rights hereunder on the part of the holder hereof shall operate as a waiver of such rights.

Capitalized terms not otherwise defined herein shall have the meanings set forth in the Credit Agreement. This Note shall be governed by, and construed in accordance with, the laws of the Commonwealth of Pennsylvania.

ENVIRONMENTAL TECTONICS CORPORATION

By:____________________________________
Name:
Title:

Schedule 1

Loans, Conversions and Payments

Date	Type of Loan (Eurodollar or Base Rate)	Amount of Loan	Amount of Principal Repaid	Amount of Base Rate Loans Converted to Eurodollar Loans	Amount of Eurodollar Loans Converted To Base Rate Loans	Unpaid Principal Balance of Loans	Notation Made By

EXHIBIT 10.7

AMENDED AND RESTATED REVOLVING CREDIT NOTE

$14,800,000

April 30, 2003
Philadelphia, PA

FOR VALUE RECEIVED, ENVIRONMENTAL TECTONICS CORPORATION (the "Borrower"), hereby unconditionally promises to pay to the order of PNC BANK, NATIONAL ASSOCIATION (the "Bank"), at the office of the Bank located at 1600 Market Street, Philadelphia, Pennsylvania, 19103, on the Revolving Credit Termination Date (as such term is defined in the Credit Agreement hereinafter referred to) in lawful money of the United States of America and in immediately available funds, the principal sum of (a) FOURTEEN MILLION EIGHT HUNDRED THOUSAND DOLLARS ($14,800,000), or, if less, (b) the aggregate unpaid principal amount of all Revolving Credit Loans made by the Bank to the Borrower pursuant to the Credit Agreement. The Borrower further unconditionally agrees to pay interest accrued on the unpaid principal amount outstanding hereunder from time to time from the date hereof in like money at such office at the rates and on the dates specified in the Credit Agreement together with all other costs, fees and expenses as provided in the Credit Agreement.

The holder of this Note is authorized to endorse on Schedule 1 annexed hereto and made a part hereof or on a continuation thereof which shall be attached hereto and made a part hereof the respective date, Type, and amount of each Revolving Credit Loan made by the Bank to the Borrower, each continuation thereof, each conversion of all or a portion thereof to another Type, the date and amount of each payment or prepayment of principal thereof and, in the case of Eurodollar Loans, the length of each Interest Period with respect thereto, which endorsement shall constitute prima facie evidence of the accuracy of the information endorsed absent manifest error; provided, however, that the failure to make any such endorsement (or any error in such recordation) shall not affect the obligations of the Borrower to make payments of principal, interest and other amounts outstanding in accordance with the terms of this Note and the Credit Agreement.

This Note amends and completely restates and evidences the indebtedness outstanding under and is substituted for, but not in payment, satisfaction, cancellation or novation of, the Revolving Credit Note dated February 18, 2003 issued by the Borrower to the Bank and, as of the date hereof, shall be deemed to be the Revolving Credit Note referred to in, evidences indebtedness incurred under, and is entitled to the benefits of, the Credit Agreement, dated as of the date hereof (as it may be amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), between the Borrower and the Bank. The Credit Agreement, among other things, contains provisions for the acceleration of the maturity hereof upon the happening of certain events, for optional or mandatory prepayments of the principal hereof prior to the maturity thereof, for a higher rate of interest upon the occurrence of an Event of Default and for certain security interests granted by the Borrower and certain related entities. Reference is made to the Credit Agreement and the other Loan Documents for a statement of the terms and conditions under which the Revolving Credit Loans evidenced hereby have been secured.

Upon the occurrence of any one or more of the Events of Default specified in the Credit Agreement, all amounts then remaining unpaid on this Note shall become, or may be declared to be, immediately due and payable, all as provided therein.

All parties now and hereafter liable with respect to this Note, whether maker, principal, surety, guarantor, endorser or otherwise, hereby waive presentment, demand, protest and notice (except as required under the Credit Agreement) of any kind. No failure to exercise, and no delay in exercising, any rights hereunder on the part of the holder hereof shall operate as a waiver of such rights.

Capitalized terms not otherwise defined herein shall have the meanings set forth in the Credit Agreement. This Note shall be governed by, and construed in accordance with, the laws of the Commonwealth of Pennsylvania.

ENVIRONMENTAL TECTONICS CORPORATION

By: Duane D. Deaner

Name: Duane D. Deaner
Title: Chief Financial Officer

Schedule 1

Loans, Conversions and Payments

Date	Type of Loan (Eurodollar or Base Rate)	Amount of Loan	Amount of Principal Repaid	Amount of Base Rate Loans Converted to Eurodollar Loans	Amount of Eurodollar Loans Converted To Base Rate Loans	Unpaid Principal Balance of Loans	Notation Made By

EXHIBIT 13

PORTIONS OF
ENVIRONMENTAL TECTONICS CORPORATION
2003
ANNUAL REPORT TO STOCKHOLDERS

FINANCIAL REVIEW
($ in thousands, except share and per share data)

Fiscal Year End	2003	2002	2001	2000	1999
Net sales	$ 43,123	$ 32,527	$ 32,452	$ 34,920	$ 29,225
Gross profit	14,198	11,465	13,075	12,798	11,672
Operating income	4,116	2,873	4,122	5,327	4,759
Net income	2,493	1,741	2,021	2,873	2,170
Earnings per common share:					
Basic	.35	.24	.29	.40	.32
Diluted	.33	.23	.27	.36	.29
Working capital	31,216	30,683	25,070	16,306	13,755
Long-term obligations	12,643	16,688	12,778	4,455	4,219
Total assets	47,698	48,482	40,705	31,897	35,448
Total stockholders' equity	25,907	20,782	18,796	16,245	11,030
Weighted average common shares:					
Basic	7,153,000	7,143,000	7,087,000	6,604,000	5,861,000
Diluted	7,497,000	7,499,000	7,499,000	7,319,000	6,312,000

All earnings per share and share amounts have been restated to reflect a 2-for-1 stock split effective May 28, 1999. No cash dividends have ever been paid on the Company's common stock, and the Company is prohibited from declaring any cash dividends on its common stock under the terms of its credit facility.

FORWARD-LOOKING STATEMENTS

This Annual Report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are based on our current expectations and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions about us and our subsidiaries, that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements.

These forward-looking statements includes statements with respect to our vision, mission, strategies, goals, beliefs, plans, objectives, expectations, anticipations, estimates, intentions, financial condition, results of operations, future performance and business, including but not limited to, (i) projections of revenues, costs of raw materials, income or loss, earnings or loss per share, capital expenditures, growth prospects, dividends, the effect of currency fluctuations, capital structure and other financial items, (ii) statements of plans and objectives of the Company or its management or board of directors, including the introduction of new products, or estimates or predictions of actions by customers, suppliers, competitors or regulating authorities, (iii) statements of future economic performance, (iv) statements of assumptions and other statements about the Company or its business, and (v) statements preceded by, followed by or that include the words, "may," "could," "should," "pro forma," "looking forward," "would," "believe," "expect," "anticipate," "estimate," "intend," "plan," or similar expressions. These forward-looking statements involve risks and uncertainties which are subject to change based on various important factors. Some of these risks and uncertainties, in whole or in part, are beyond the Company's control. Factors that might cause or contribute to such a material difference include, but are not limited to, those discussed in our Annual Report on Form 10-K, in the section entitled "Risks Particular to Our Business." Shareholders are urged to review these risks carefully prior to making an investment in the Company's common stock.

We do not undertake to update any forward-looking statement, whether written or oral, that we may make from time to time or that may be made on our behalf from time to time.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

The Company is principally engaged in the design, manufacture and sale of software driven products used to create and monitor the physiological effects of motion on humans and equipment and to control, modify, simulate and measure environmental conditions. These products include aircrew training systems, entertainment products, sterilizers, environmental and hyperbaric chambers and other products that involve similar manufacturing techniques and engineering technologies.

The Company recognizes revenue using three methods:

On long-term contracts, the percentage of completion method is applied based on costs incurred as a percentage of estimated total costs. This percentage is multiplied by the total estimated revenue under a contract to calculate the amount of revenue recognized in an accounting period. Revenue recognized on uncompleted long-term contracts in excess of amounts billed to customers is reflected as an asset. Amounts billed to customers in excess of revenue recognized on uncompleted long-term contracts are reflected as a liability. When it is estimated that a contract will result in a loss, the entire amount of the loss is accrued. The effect of revisions in cost and profit estimates for long-term contracts is reflected in the accounting period in which the Company learns the facts which require it to revise the cost and profit estimates. Contract progress billings are based upon contract provisions for customer advance payments, contract costs incurred, and completion of specified contract milestones. Contracts may provide for customer retainage of a portion of amounts billed until contract completion. Retainage is generally due within one year of completion of the contract. Revenue recognition under the percentage of completion method involves significant estimates.

Revenue for contracts under $100,000, or to be completed in less than one year, and where there are no post-shipment services included in the contract, is recognized on the date that the finished product is shipped to the customer.

Revenue derived from the sale of parts and services is also recognized on the date that the finished product is shipped to the customer. Revenue on contracts under $100,000, or to be completed in less than one year, and where post-shipment services (such as installation and customer acceptance) are required, is recognized following customer acceptance. Revenue for service contracts is recognized ratably over the life of the contract with related material costs expensed as incurred.

In accordance with accounting principles generally accepted in the United States, recognizing revenue on contract claims and disputes, related to customer caused delays, errors in specifications and designs, and other unanticipated causes, and for amounts in excess of contract value, is generally appropriate if it is probable that the claim will result in additional contract revenue and if the Company can reliably estimate the amount of additional contract revenue. However, revenue recorded on a contract claim cannot exceed the incurred contract costs related to that claim.

The Company has operating subsidiaries in the United Kingdom and Poland, maintains regional offices in the Middle East, Asia and Canada, and uses the services of approximately 100 independent sales organizations and agents throughout the world. ETC International Corporation is not an operating subsidiary. The Company considers its business activities to be divided into two segments; Aircrew Training Systems (ATS) and Industrial Group.

Critical Accounting Policies

The discussion and analysis of the Company's financial condition and results of operation are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amount of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of the Company's financial statements. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting policies are defined as those that reflect significant judgments and uncertainties, and potentially result in materially different results under different assumptions and conditions. The Company believes that its critical accounting policies include those described below. For a detailed discussion on the application of these and other accounting policies, see Note 1 to the Consolidated Financial Statements, Summary of Significant Accounting Policies.

Revenue Recognition on Long-Term Contracts

When the performance of a contract requires a customer to pay the Company more than $100,000 and will extend beyond a 12 month period, revenue and related costs are recognized on the percentage-of-completion method of accounting. Profits expected to be realized on such contracts are recognized based on total estimated sales for the contract compared to total estimated costs at completion of the contract. These estimates are reviewed periodically throughout the lives of the contracts, and adjustments to profits resulting from any revisions are made cumulative to the date of the change. Estimated losses on long-term contracts are recorded in the period in which the losses become known to the Company.

The Company accounts for some its largest contracts, including its contracts with the U.S. and other foreign governments, using the percentage-of-completion method. If the Company does not accurately estimate the total cost to be incurred on this type of contract, or if the Company is unsuccessful in the ultimate collection of associated contract claims, the estimated gross margins may be significantly impacted or losses may need to be recognized in future periods. Any resulting reductions in margins or contract losses could be material to the Company's results of operations and financial position.

Accounts Receivable

The Company performs ongoing credit evaluations of its customers and adjusts credit limits based on payment history and the customer's current credit worthiness. The Company continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based on historical experience and any specific customer collection issues that have been identified. While the Company's credit losses have historically been within its expectations and the provisions established, the Company cannot guarantee that it will continue to experience the same credit loss rates that it has in the past. Additionally, as a result of the concentration of international receivables, the Company cannot predict the effect, if any, which geopolitical risk and uncertainty will have on the ultimate collection of its international receivables.

In accordance with accounting principles generally accepted in the United States, recognizing revenue on contract claims and disputes related to customer caused delays, errors in specifications and designs, and other unanticipated causes, and for amounts in excess of contract value, is generally appropriate if it is probable that the claim will result in additional contract revenue and if the Company can reliably estimate the amount of additional contract revenue. However, revenue recorded on a contract claim cannot exceed the incurred contract costs related to that claim. Claims are subject to negotiation, arbitration and audit by the customer or governmental agency.

Results of Operations

Fiscal 2003 versus Fiscal 2002

The Company had net income of $2,493,000 or $.33 per share (diluted) in 2003 versus net income of $1,741,000 or $.23 per share (diluted) in fiscal 2002. Operating income was $4,116,000, an increase of $1,243,000 or 43.3% over 2002. This increase was primarily the result of increased gross profits due to higher sales volumes, partially offset by higher general and administrative expenses and research and development expenses.

Total sales in fiscal 2003 were $43,123,000, an increase of $10,596,000 or 32.6% over 2002, representing increases in all segments except hyperbaric. Primary contributors were additional international revenues for Aircrew Training Systems (ATS) (increased by $5,404,000) which benefited from a human centrifuge project in Southeast Asia, higher government sales for ATS (increased $2,099,000) reflecting the impact of the settlement with the U.S. Navy on the centrifuge contract and hyperbaric sales for a large U.S. Navy submarine rescue project, higher domestic sterilizer sales (increased by $1,245,000), and additional sales for domestic entertainment (increased by $1,409,000) which was involved in full production of a large project. Geographically, domestic sales were up $2,468,000 or 11.6%, and represented 54.9% of total sales, down from 65.2% in fiscal 2002, primarily reflecting sterilizer and entertainment activity. U.S. government sales increased to $4,626,000, as compared to $1,194,000 in fiscal 2002, and represented 10.8% of total sales, up from 3.7% of total sales in fiscal 2002. International sales, including those from the Company's foreign subsidiaries, were up $4,695,000 or 46.4%, and represented 34.3% of total sales, up from 31.1% in fiscal 2002, primarily reflecting an increase in ATS sales. Throughout the Company's history, most of the sales for Aircrew Training products have been made to international customers.

Customers representing 10% or more of sales in fiscal 2003 were the Walt Disney Company, $17,268,000 or 40.0%, and the Royal Malaysian Air Force, $7,203,000 or 16.7%. In fiscal 2003, international sales totaling at least $500,000 per country were made to customers in Malaysia, Thailand and China. Fluctuations in sales to international countries from year to year primarily reflect percentage of completion revenue recognition on the level and stage of development and production on multi-year long-term contracts. Open orders for the Royal Malaysian Air Force and a domestic sterilizer customer constituted 27.6% and 11.8% respectively of the Company's backlog at February 28, 2003. For a discussion of the additional risks associated with our international operations, see "Risks Related to Our Business--There are certain risks inherent in our international business activities, which constitute a significant portion of our business," in our Annual Report on Form 10-K.

On a segment basis, sales of the Company's ATS products, which create and monitor the physiological effects of motion (including spatial disorientation and centrifugal forces) on humans and equipment for medical, training, research and entertainment markets, were $31,612,000 in fiscal 2003, an increase of $8,983,000, or 39.7% over fiscal 2002. Sales of these products accounted for 73.3% of the Company's sales compared to 69.6% in fiscal 2002. Sales in the Company's other segment, the Industrial Group, which designs and produces chambers that create environments that are used for sterilization, research and medical applications, increased $1,613,000 to $11,511,000, an increase of 16.3%, and constituted 26.7% of the Company's total sales compared to 30.4% in fiscal 2002.

Significant claims outstanding at February 28, 2003 included a new claim with the U.S. Navy ($2.1 million recorded) and two claims with an international customer ($9.6 million recorded). On May 9, 2002, the Company reached a final settlement agreement totaling approximately $6.9 million with the U.S. Navy for a claim on a centrifuge contract completed in 1996 to resolve all outstanding amounts related to this claim. The outstanding claims with the international customer are both in arbitration. Although recorded as a current asset in the financial statements, all claim revenues may not be received in full during fiscal 2004.

Gross profit for fiscal 2003 increased by $2,733,000 or 23.8% from fiscal 2002 as the increased sales volume was only partially offset by a 2.3 percentage point reduction in the rate as a percentage of sales. Reduced rates as a percentage of sales were primarily evidenced in international environmental, government hyperbaric and domestic simulation. Acting as a partial offset was an increase in gross profit dollars and rate as a percentage of sales for Aircrew Training Systems.

Operating income for fiscal 2003 was $4,116,000, an increase of $1,243,000 or 43.3% over fiscal 2002. On a segment basis, ATS had an operating income of $4,979,000, an increase of $2,348,000 or 89.2% from fiscal 2002, while the Industrial Group had an operating income of $52,000 in fiscal 2003 compared to an operating income of $1,347,000 in fiscal 2002. These segment operating incomes were offset, in part, by unallocated corporate expenses of $915,000, a decrease of $190,000 from fiscal 2002.

The improvement in operating income for the ATS segment in fiscal 2003 was due to increased international sales at a higher gross profit rate as a percentage of revenues partially offset by higher general and administrative expenses including commissions.

The Industrial Group segment's decrease in operating income in fiscal 2003 reflected increased sales offset by a 13.2 percentage point reduction in the gross profit rate as a percentage of sales and additional general and administrative expenses. Both the environmental and hyperbaric product lines experienced reduced gross profit percentages.

Selling and administrative expenses increased $1,454,000 or 18.2% in fiscal 2003 as compared to fiscal 2002 primarily reflecting increased commissions on the sales increase and increased claims expenses associated with the Company's ongoing claims activity. As a percentage of sales, selling and administrative expenses were 21.9% in fiscal 2003 compared to 24.6% in fiscal

2002.

Research and development expenses increased slightly, up $36,000 or 6.0% in fiscal 2003 as compared to fiscal 2002, reflecting slightly higher activity at the Company's Turkish branch. Most of the Company's research efforts, which were and continue to be a significant cost of its business, are included in cost of sales for applied research for specific contracts, as well as research for feasibility and technology updates. Capitalized software development costs for fiscal 2003 were $1,193,000 compared to $989,000 in fiscal 2002. Amortization of software costs, which was charged to cost of sales, was $653,000 and $496,000 for fiscal 2003 and fiscal 2002, respectively.

Interest expense (net of interest income) decreased $576,000 or 52.7% in fiscal 2003 from fiscal 2002 reflecting reduced average borrowings at lower rates and reduced amortization of deferred finance expenses. During fiscal 2002, deferred finance costs associated with the Company's refinancing in March 1997, which debt was subsequently paid off in March 2000, were charged off. Letter of credit and other expenses increased $194,000 or 134.7% in fiscal 2003 over fiscal 2002, principally due to increased banking fees associated with the Company's former lender.

The Company's provision for taxes in fiscal 2003 was calculated based on a consolidated rate of 24.7%, primarily reflecting the impact of research and experimentation tax credit refunds. The Company will continue to use research and experimentation tax credits, if applicable, to reduce its federal income tax.

During the second quarter of fiscal 2003, the Company reached a settlement with Inland Revenue in Great Britain which resulted in an additional tax assessment of $15,000. Additionally, the Internal Revenue Service is currently performing a routine audit of the Company's fiscal 2000 tax filing. The Company is currently not able to assess whether any additional tax liability will result from the audit, although at this point the Company believes that any additional taxes, if any, will be immaterial.

Fiscal 2002 versus Fiscal 2001

The Company had net income of $1,741,000 or $.23 per share (diluted) in fiscal 2002, versus a net income of $2,021,000 or $.27 per share (diluted) in fiscal 2001. Operating income was $2,873,000, a decrease of $1,249,000 or 30.3% over fiscal 2001. This decrease was primarily the result of a reduced gross margin partially offset by lower general and administrative expenses and research and development expenses.

Total sales increased $75,000 or 0.2% in fiscal 2002 over fiscal 2001 representing increases in entertainment (increased by $7,459,000, 88.8%), environmental (increased by $428,000, 17.7%) and hyperbaric systems (increased by $967,000, 31.1%). Partial offsets were Aircrew Training Systems (ATS) sales (decreased by $6,793,000, 50.3%) including sales from the Company's Polish subsidiary, sales of sterilizers and simulation sales by the Company's Florida branch. Entertainment sales benefited from increased production on the Company's main ride contract. Environmental sales were up internationally representing a test room for Russia and two large chamber contracts in China. Hyperbaric sales increased as two large chambers for a Southeast Asian customer were shipped. ATS sales were negatively impacted by the general economic downturn and global disruption that affected the world in fiscal 2002. With the tightening of worldwide governmental spending and the political fall out from the September 11, 2001 tragedy, as an international supplier of aircrew training devices, the Company saw a significant impairment in its ability to close many large international contracts. This was coupled with a major economic disruption and currency devaluation in Turkey, where the Company's ETC-Information Systems performs contract software for local customers, and the inability of the Polish

Government to approve a national budget, which delayed contract awards for our Polish Subsidiary. Sterilizer shipments were hindered by customer schedule slippages, while decreases in the Simulation line reflected reduced activity on a percentage of completion revenue basis for a large contract for a simulator at Chicago's O'Hare and Midway Airports, although this group was awarded four contracts in the second half of the year. Geographically, domestic sales were up $6,092,000 or 40.3%, and represented 65.2% of total sales, up from 46.6% in fiscal 2001, primarily reflecting the aforementioned entertainment activity. U.S. government sales were down $869,000 or 42.1%, and represented 3.7% of total sales, down from 6.4% in fiscal 2001, on lower claims revenue. International sales, including those from the Company's foreign subsidiaries, were down $5,148,000 or 33.7% and represented 31.1% of total sales, down from 47.0% from fiscal 2001, reflecting the aforementioned global conditions during much of fiscal 2002. Additionally, international sales were down due to reduced sales in the United Kingdom and Nigeria, as large contracts were completed or stopped in these regions. U.S. government sales reflected reduced ATS claim revenue. Throughout the Company's history, most of the sales for Aircrew Training products have been made to international customers.

Customers representing 10% or more of sales in fiscal 2002 were the Walt Disney Company, $15,859,000 or 48.8%, and the Royal Thai Air Force, $3,285,000 or 10.1%. In fiscal 2002, international sales totaling at least $500,000 per country were made to customers in Great Britain, Japan, Turkey, Thailand, Russia, and Nigeria. Fluctuations in sales to international countries from year to year primarily reflect percentage of completion revenue recognition on the level and stage of development and production on multi-year long-term contracts. Open orders for the Walt Disney Company constituted 44.1% of the Company's backlog at February 22, 2002.

On a segment basis, sales of the Company's Aircrew Training Systems (ATS) products, which create and monitor the physiological effects of motion (including spatial disorientation and centrifugal forces) on humans and equipment for medical, training, research and entertainment markets, were $22,629,000 in fiscal 2002, a decrease of $692,000, or 3.0% over fiscal 2001. Sales of these products accounted for 69.6% of the Company's sales compared to 72.6% in fiscal 2001. Sales in the Company's other segment, the Industrial Group, which designs and produces chambers that create environments that are used for sterilization, research and medical applications, increased $766,000 to $9,898,000, an increase of 8.4%, and constituted 30.4% of the Company's total sales compared to 27.4% in fiscal 2001.

Significant claims outstanding at February 22, 2002 included the U.S. Navy ($5.5 million recorded) and an international customer ($5.7 million recorded). On May 9, 2002, the Company reached a final settlement agreement totaling approximately $6.9 million with the U.S. Navy for all outstanding amounts. The outstanding claims with the international customer were either under review by the customer or in litigation at February 28, 2002.

Gross profit decreased $1,160,000 or 12.3%, primarily reflecting reduced claims revenue.

Operating income decreased $1,249,000, or 30.3%, in fiscal 2002 compared to fiscal 2001. On a segment basis, ATS had an operating income of $2,631,000, a decrease of $3,163,000 from fiscal 2001, while the Industrial Group had an operating income of $1,347,000 compared to an operating loss of $906,000 in fiscal 2001. These segment operating incomes were offset, in part, by unallocated corporate expenses of $1,105,000, an increase of 339,000 over fiscal 2001.

Selling and administrative expenses decreased $58,000, or 0.7%, in fiscal 2002 as compared to fiscal 2001, primarily reflecting reduced legal expenses to support international claims. As a percentage of sales, selling and administrative expenses were 24.6% compared to 24.8% in fiscal 2001.

Research and development expenses decreased significantly by $303,000, or 33.6%, in fiscal 2002 as compared to fiscal 2001, as these activities were curbed during the year, especially at the Company's Turkish branch. Most of the Company's research efforts, which were and continue to be a significant cost of its business, are included in cost of sales for applied research for specific contracts, as well as research for feasibility and technology updates. Capitalized software development costs for 2002 were $989,000 compared to $550,000 in 2001. Amortization of software costs, which was charged to cost of sales, was $496,000 and $455,000 for 2002 and 2001, respectively.

Interest expense (net of interest income) increased $269,000, or 32.6%, in fiscal 2002 over fiscal 2001 reflecting higher borrowings albeit at a lower average rate. Additionally, during the third quarter of fiscal 2002, $195,000 of deferred finance costs associated with the Company's refinancing in March 1997, which debt was subsequently paid off in March 2000, were charged off. Letter of credit and other expenses increased $45,000, or 41.3%, in fiscal 2002 over fiscal 2001 principally due to increased letter of credit fees.

The Company's benefit from taxes was calculated based on a consolidated rate of (5.7%), primarily reflecting approximately $619,000 of research and experimentation tax credit refunds. The Company will continue to use research and experimentation tax credits, if applicable, to reduce its federal income tax.

Liquidity and Capital Resources

During fiscal 2003, the Company generated $7,580,000 of cash from operating activities. This primarily reflected cash from net income and non-cash expenses such as depreciation and amortization and significant reductions in receivables and costs and estimated earnings in excess of billings on uncompleted long-term contracts. Providing a partial offset were an increase in inventory and reductions in accounts payable, customer deposits and accrued income taxes. In general, the cash generation from operations reflected strong collections on long-term contracts, the settlement on the centrifuge contract with the U.S. Navy, and positive operating performance.

The Company's investing activities used $784,000 in fiscal 2003 and consisted of purchases of capital equipment and capitalized software.

The Company's financing activities used $4,755,000 of cash during fiscal 2003. This primarily reflected a significant repayment of the Company's prior bank line and an increase in restricted cash to cash collateralize international letters of credit which was only partially offset by cash from the Company's new convertible note and additional paid-in capital associated with the convertible note and common stock warrants under the new financing. (Reference Note 6 to the Consolidated Financial Statements, Long-Term Obligations and Credit Arrangements.)

The Company has historically financed operations through a combination of cash generated from operations, equity offerings and bank debt. On February 19, 2003, the Company completed a refinancing of its indebtedness with PNC Bank, National Association and H.F. Lenfest in the aggregate amount of $29,800,000. The Company used a portion of the proceeds from the financing to satisfy its existing debt obligations to Wachovia Bank, the Company's former lender, and to permit PNC Bank to issue a letter of credit to support outstanding bonds issued by Company. The transaction resulted in net proceeds (after transaction expenses and payment of existing debt) to the Company of approximately $3,600,000. The net proceeds have been used by the Company for working capital purposes, and general corporate purposes directly related to growth.

In accordance with the terms of an amendment, dated April 30, 2003, the PNC Bank facility was incureased and, as of the date of this Annual Report on

Form 10-K, includes: (i) a revolving credit facility in the maximum aggregate principal amount of $14,800,000 to be used for the Company's working capital and general corporate purposes, including capital expenditures, with a sublimit for issuances of letters of credit in the maximum amount of $10,300,000, and (ii) a standby letter of credit in the amount of $5,025,410 as credit support for the Company's bonds.

The terms and conditions of the revolving loan and the line of credit are set forth in a Credit Agreement, as amended, between the Company and PNC Bank. Availability under the facility is determined each month based on a borrowing base consisting of a portion of the Company's receivables, inventory and costs and estimated earnings in excess of billings, net of billings in excess of costs and estimated earnings on uncompleted long-term contracts. As of February 28, 2003, availability under the $14,800,000 revolving facility was $7,913,000, which the Company had fully utilized.

The obligations of the Company to PNC Bank under the Credit Agreement are secured by a senior security interest in all of the assets of the Company, including all real property owned by the Company.

In connection with the financing provided by Mr. Lenfest, the Company entered into a Convertible Note and Warrant Purchase Agreement with Mr. Lenfest, pursuant to which the Company issued to Mr. Lenfest (i) a senior subordinated convertible promissory note in the original principal amount of $10,000,000 and (ii) warrants to purchase 803,048 shares of the Company's common stock. Upon the occurrence of certain events, the Company will be obligated to issue additional warrants to Mr. Lenfest. The note accrues interest at the rate of 10% per annum and matures on February 18, 2009. The note entitles Mr. Lenfest to convert all or a portion of the outstanding principal of, and accrued and unpaid interest on, the note into shares of common stock at a conversion price of $6.05 per share. The warrants may be exercised into shares of common stock at an exercise price equal to the lesser of $4.00 per share or two-thirds of the average of the high and low sale prices of the common stock for the 25 consecutive trading days immediately preceding the date of exercise.

The obligations of the Company to Mr. Lenfest under the Convertible Note and Warrant Purchase Agreement are secured by a second lien on all of the assets of the Company, junior in rights to the lien in favor of PNC Bank, including all real property owned by the Company.

Prior to the consummation of the refinancing, ETC Asset Management, LLC, a shareholder of the Company and a holder of warrants to purchase 332,820 shares of the Company's common stock, consented to the transactions contemplated under the Credit Agreement and the financing provided by Mr. Lenfest, including the below market issuance of warrants to Mr. Lenfest. As a result of its consent, ETC Asset Management waived, solely in connection with such issuance, the anti-dilution rights contained in its warrant. In exchange for ETC Asset Management's consent, the Company issued to ETC Asset Management warrants to purchase an additional 105,000 shares of common stock. Except for the number of shares issuable upon exercise of the warrants, the new ETC Asset Management warrants have substantially the same terms as the warrants issued to Mr. Lenfest.

The Company believes that cash generated from operating activities as well as future availability under its credit agreement will be sufficient to meet its future obligations through at least May 31, 2004.

In reference to the Company's outstanding claims with an international customer, to the extent the Company is unsuccessful in further recovery of contract costs, such an event could have a material adverse effect on the Company's liquidity and results of operations. Historically, the Company has had good experience in that recoveries have exceeded recorded claims (see Note 2 to the Consolidated Financial Statements, Accounts Receivable).

The following table presents our contractual cash flow commitments on long-term debt and operating leases. See Notes 6 and 7 to the consolidated financial statements for additional information on our long-term debt and operating leases.

	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
			(in thousands)		
Long-term debt, including current maturities	$12,924	$281	$1,432	$ 550	$10,661
Operating leases	530	249	281	-	-
Total	13,454	$530	$1,713	$ 550	$10,661

The Company's sales backlog at February 28, 2003 and February 22, 2002, for work to be performed and revenue to be recognized under written agreements after such dates, was $21,454,000 and $28,148,000, respectively. This decline is primarily due to the near completion of a large contract for the Walt Disney Company. In addition, the Company's training, maintenance and upgrade contracts backlog at February 28, 2003 and February 22, 2002, for work to be performed and revenue to be recognized after such dates under written agreements, was approximately $3,931,000 and $1,485,000, respectively. Of the February 28, 2003 backlog, approximately $16,428,000 was under contracts for ATS and maintenance support including $7,007,000 for the Royal Malaysian Air Force. Approximately 91% of the February 28, 2003 backlog is expected to be completed prior to February 27, 2004.

The Company's order flow does not follow any seasonal pattern as the Company receives orders in each fiscal year of its fiscal year.

Recent Accounting Pronouncements

Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB No. 13, and Technical Corrections:

In April 2002, the Financial Accounting Standards Board (FASB) issued SFAS No. 145, "Rescission of FASB statements No. 4, 44, and 64, Amendment of FASB No. 13, and Technical Corrections." SFAS No. 145 changes the accounting principles governing extraordinary items by clarifying, and to some extent, modifying, the existing definition and criteria, specifying disclosure for extraordinary items and specifying disclosure requirements for other unusual or infrequently occurring events and transactions that are not extraordinary items. SFAS No. 145 is effective for financial statements issued for fiscal years beginning after June 15, 2002, with early adoption encouraged. The adoption of SFAS No. 145 is not expected to have a significant impact on the financial condition or results of operations of the Company.

Accounting for Costs Associated with Exit or Disposal Activities:

In June 2002 the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". This statement provides financial accounting and reporting guidance for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring". SFAS No. 146 is effective for exit or disposal activities initiated after December 31, 2002, with early adoption encouraged. The adoption of the statement is not expected to have a significant impact on the financial condition or results of operations of the Company.

Accounting for Costs Associated with Exit or Disposal Activities:

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This statement provides financial accounting and reporting guidance for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring." SFAS No. 146 is effective for exit or disposal activities initiated after December

31, 2002. The adoption of the statement is not expected to have a significant impact on the financial condition or results of operations of the Company.

In November 2002, FASB Interpretation 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others (FIN 45), was issued. FIN 45 requires a guarantor entity, at the inception of a guarantee covered by the measurement provisions of the interpretation, to record a liability for the fair value of the obligation undertaken in issuing the guarantee. The Company previously did not record a liability when guaranteeing obligations unless it became probable that the Company would have to perform under the guarantee. FIN 45 applies prospectively to guarantees the Company issues or modifies subsequent to December 31, 2002, but has certain disclosure requirements effective for interim and annual periods ending after December 15, 2002. The Company has not historically issued guarantees and does not anticipate FIN 45 will have a material effect on its fiscal 2004 consolidated financial statements.

In January 2003, the FASB issued FASB Interpretation 46 (FIN 46), Consolidation of Variable Interest Entities. FIN 46 clarifies the application of Accounting Research Bulletin 51, Consolidated Financial Statements, for certain entities that do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties or in which equity investors do not have the characteristics of a controlling financial interest ("variable interest entities"). Variable interest entities within the scope of FIN 46 will be required to be consolidated by their primary beneficiary. The primary beneficiary of a variable interest entity is determined to be the party that absorbs a majority of the entity's expected losses, receives a majority of its expected returns, or both. FIN 46 applies immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise acquires an interest after that date. It applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. The adoption of FIN 46 did not have material effect on the Company's consolidated financial position, results of operations, or cash flows.

On May 15, 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity. SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of those instruments were previously classified as equity. SFAS No. 150 affects the issuer's accounting for three types of freestanding financial instruments.

- mandatorily redeemable shares, which the issuing company is obligated to buy back in exchange for cash or other assets

- instruments that do or may require the issuer to buy back some of its shares in exchange for cash or other assets; includes put options and forward purchase contracts

- obligations that can be settled with shares, the monetary value of which is fixed, tied solely or predominantly to a variable such as a market index, or varies inversely with the value of the issuers' shares.

SFAS No. 150 does not apply to features embedded in a financial instrument that is not a derivative in its entirety.

Most of the guidance in SFAS No. 150 is effective for all financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS No. 150 is not expected to have a material effect on the Company's consolidated financial position, results of operations or cash flows.

Market for the Registrant's Common Stock and Related Security Holder Matters

The Company's common stock is traded on the American Stock Exchange under the symbol "ETC." As of May 15, 2003, the Company had 295 shareholders of record.

The following table sets forth the quarterly ranges of high and low sale prices for shares of the common stock for the periods indicated.

	Sale Prices	
	High	Low
Fiscal 2003		
First Quarter	$9.15	$6.20
Second Quarter	7.85	6.00
Third Quarter	6.45	5.80
Fourth Quarter	6.40	5.86
Fiscal 2002		
First Quarter	$10.05	$8.30
Second Quarter	9.05	6.80
Third Quarter	8.50	6.60
Fourth Quarter	7.50	5.70

The Company has never paid any cash dividends on its common stock and does not anticipate that any cash dividends will be declared or paid in the foreseeable future. The Company's current credit facility prohibits the payment of any dividends by the Company without the lender's prior written consent.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	1,000,000	$7.20	421,614
Equity compensation plans not approved by security holders	420,000	N/A	342,999
Total	1,420,000	$7.20	764,613

The following plans have not been approved by our stockholders:

Employee Stock Purchase Plan

The Company has an Employee Stock Purchase Plan which was adopted by the Board of Directors on November 3, 1987. All employees meeting service requirements, except officers, directors and 10% stockholders, are eligible to voluntarily purchase common stock through payroll deductions up to 10% of salary. The Company makes a matching contribution of 20% of the employee's contribution.

Stock Award Plan

The Company has a Stock Award Plan which was adopted by the Board of Directors on April 7, 1993. All employees including officers of the Company meeting service requirements are eligible to receive awards under the Plan.

Report of Independent Certified Public Accountants

Board of Directors
Environmental Tectonics Corporation

We have audited the accompanying consolidated balance sheets of Environmental Tectonics Corporation and Subsidiaries as of February 28, 2003 and February 22, 2002, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for each of the three fiscal years in the period ended February 28, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Environmental Tectonics Corporation and Subsidiaries as of February 28, 2003 and February 22, 2002, and the consolidated results of their operations and cash flows for each of the three fiscal years in the period ended February 28, 2003, in conformity with accounting principles generally accepted in the United States of America.

We have also audited the accompanying Schedule II of Environmental Tectonics Corporation and Subsidiaries as of February 28, 2003 and February 22, 2002 and for each of the three fiscal years in the period ended February 28, 2003. In our opinion, this schedule presents fairly, in all material respects, the information required to be set forth herein.

As discussed in Note 1 to the consolidated financial statements, the Company has recorded receivables in the amount of $11.7 million related to claims made to or against the United States government and an international customer for contract costs incurred through February 28, 2003. The total net claims amount made is approximately $38.3 million based on costs incurred through February 28, 2003, and is subject to negotiation, arbitration and audit by the United States government and the international customer.

As discussed in note 1 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets, on February 23, 2002.

Grant Thornton LLP

Philadelphia, Pennsylvania
May 8, 2003

Consolidated Balance Sheets ($ in thousands, except share data)

	February 28, 2003	February 22, 2002
ASSETS		
Cash and cash equivalents	$ 4,305	$ 2,261
Cash equivalents restricted for letters of credit	3,189	569
Accounts receivable, net	16,193	19,856
Costs and estimated earnings in excess of billings on uncompleted long-term contracts	5,441	9,391
Inventories	8,494	7,161
Deferred tax asset	689	715
Prepaid expenses and other current assets	983	921
Total current assets	39,294	40,874
Property, plant and equipment, net	5,086	5,318
Software development costs, net of accumulated amortization of $6,819 and $6,166 in 2003 and 2002, respectively	2,224	1,684
Goodwill and intangibles	477	477
Other assets, net	617	129
Total assets	$ 47,698	$ 48,482
LIABILITIES		
Current portion of long-term obligations	$ 281	$ 281
Accounts payable - trade	1,778	3,438
Billings in excess of costs and estimated earnings on uncompleted long-term contracts	1,463	499
Customer deposits	3,000	3,684
Accrued income taxes	--	731
Other accrued liabilities	1,556	1,558
Total current liabilities	8,078	10,191
Long-term obligations, less current portion:		
Credit facility payable to banks	600	11,755
Long term bonds	4,645	4,920
Subordinated debt	7,391	--
Other	7	13
	12,643	16,688
Deferred tax liability	1,022	735
Total liabilities	$ 21,743	$ 27,614
Minority Interest	48	86
STOCKHOLDERS' EQUITY		
Commonstock - authorized 20,000,000 shares, $.05 par value; 7,157,239 and 7,142,946 shares issued and outstanding in 2003 and 2002, respectively	$ 358	$ 357
Capital contributed in excess of par value of common stock	9,331	6,703
Accumulated other comprehensive loss	(169)	(172)
Retained earnings	16,387	13,894
Total stockholders' equity	$ 25,907	$ 20,782
Total liabilities and stockholders' equity	$ 47,698	$ 48,482

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

Consolidated Statements of Operations ($ in thousands, except share data)

	53 Weeks Ended February 28, 2003	52 Weeks Ended February 22, 2002	52 Weeks Ended February 23, 2001
Net sales	$ 43,123	$ 32,527	$ 32,452
Cost of goods sold	28,925	21,062	19,377
Gross profit	14,198	11,465	13,075
Operating expenses:			
Selling and administrative	9,446	7,992	8,050
Research and development	636	600	903
	10,082	8,592	8,953
Operating income	4,116	2,873	4,122
Other expenses:			
Interest expense (net)	518	1,094	825
Letter of credit fees	154	102	65
Other, net	184	42	34
	856	1,238	924
Income before provision for/(benefit from) income taxes and minority interest	3,260	1,635	3,198
Provision for/(benefit from) income taxes	805	(93)	1,126
Income before minority interest	2,455	1,728	2,072
Income (loss) attributable to minority interest	(38)	(13)	51
Net income	$ 2,493	$ 1,741	$ 2,021
Per share information Earnings per common share:			
Basic	$.35	$.24	$.29
Diluted	$.33	$.23	$.27
Income available to common stockholders	$2,493	$1,741	$2,021
Weighted average common shares:			
Basic	7,153,000	7,143,000	7,087,000
Diluted	7,497,000	7,499,000	7,499,000

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

Consolidated Statements of Changes in Stockholders' Equity ($ in thousands, except share data)

For the years ended February 28, 2003, February 22, 2002 and February 23, 2001

	Common Stock		Capital contributed in excess of par value of common stock	Accumulated other comprehensive income (loss)	Retained earnings	Total stockholders' equity
	Shares	Amount				
Balance, February 25, 2000	6,864,280	$ 343	$ 5,832	$ (62)	$10,132	$16,245
Net income for the year	-	-	-	-	2,021	2,021
Foreign currency translation Adjustment				(164)	-	(164)
Total comprehensive income						1,857
Shares issued in connection with conversion of warrants	212,866	10	508	-	-	518
Shares issued in connection with employee stock purchase and stock option plans	33,400	2	174	-	-	176
Balance, February 23, 2001	7,110,546	355	6,514	(226)	12,153	18,796
Net income for the year	-	-	-	-	1,741	1,741
Foreign currency translation adjustment				54	-	54

Total comprehensive income						1,795
Shares issued in connection with employee stock purchase and stock option plans	32,400	2	189	-	-	191
Balance, February 22, 2002	7,142,946	357	6,703	(172)	13,894	20,782
Net income for the year	-	-	-	-	2,493	2,493
Foreign currency translation adjustment				3	-	3
Total comprehensive income						2,496
Value of beneficial conversion option associated with issuance of subordinated convertible debt	-	-	1,400	-	-	1,400
Value of warrants issued in connection with issuance of subordinated convertible debt	-	-	1,209	-	-	1,209
Shares issued in connection with employee stock purchase and stock option plans	14,293	1	19	-	-	20
Balance, February 28, 2003	7,157,239	$ 358	$ 9,331	$ (169)	$16,387	$25,907

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

Consolidated Statements of Cash Flows ($ in thousands)

	53 Weeks Ended February 28, 2003	52 Weeks Ended February 22, 2002	52 Weeks Ended February 23, 2001
Cash flows from operating activities:			
Net income	$ 2,493	$ 1,741	$ 2,021
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Depreciation and amortization	1,401	1,475	1,278
Increase (decrease) in allowance for accounts receivable and inventory	(19)	111	(87)
Minority interest in net loss	(38)	(13)	(170)
Deferred income taxes (benefit)	313	(39)	96
Changes in operating assets and liabilities:			
(Increase) decrease in assets			
Accounts receivable	3,590	(3,083)	(6,007)
Costs and estimated earnings in excess of billings on uncompleted long-term contracts	3,950	204	(717)
Inventories	(2,091)	(2,645)	(630)
Prepaid expenses and other current assets	62	(530)	5
Other assets	32	(136)	34
Increase (decrease) in liabilities:			
Accounts payable	(1,660)	1,509	99
Billings in excess of costs and estimated earnings on uncompleted long-term contracts	964	(1,213)	(1,570)
Customer deposits	(684)	2,241	(1,492)
Accrued income taxes	(731)	(23)	291
Other accrued liabilities	(2)	(319)	264
Payments under settlement agreements	-	-	(85)
Net cash provided by (used in) operating activities	7,580	(720)	(6,670)
Cash flows from investing activities:			
Acquisition of equipment	(215)	(649)	(2,628)
Software development costs	(569)	(989)	(550)
Purchase of subsidiary, net of cash acquired	-	-	195
Net cash used in investing activities	(784)	(1,638)	(2,983)
Cash flows from financing activities:			
Borrowings under credit facility	26,396	10,899	8,071
Payments under credit facility	(37,551)	(6,708)	(4,600)
Payments on long-term bonds	(275)	(275)	5,470
Proceeds from subordinated debt	7,391	-	-
Deferred financing costs	(719)	-	(175)
Increase in restricted cash	(2,620)	(25)	(512)
Net decrease in other long-term obligations	(6)	(368)	(5)
Proceeds from issuance of common stock/warrants	2,629	191	694
Net cash provided by financing activities	(4,755)	3,714	8,943
Effect of exchange rates on cash	3	54	(164)
Net increase (decrease) in cash and cash equivalents	2,044	1,410	(874)
Cash and cash equivalents at beginning of year	2,261	851	1,725
Cash and cash equivalents at end of year	$ 4,305	$ 2,261	$ 851
Supplemental schedule of cash flow information:			
Interest paid	$ 480	$ 766	$ 806
Income taxes paid	$ 1,720	$ 582	$ 649

Supplemental information on non-cash operating and investing activities:

During the year ended February 28, 2003, the Company reclassified $226 from inventory to property, plant and equipment and $624 from inventory to capitalized software.

During the year ended February 23, 2001, the Company purchased for $100 a 99% ownership in ETC Europe, resulting in goodwill of $26.

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

Notes to Consolidated Financial Statements ($ in thousands, except share data)

1. Summary of Significant Accounting Policies:

Nature of Business:

Environmental Tectonics Corporation ("ETC" or the "Company") is primarily engaged in the development, marketing and manufacturing of Aircrew Training Systems (ATS) and industrial simulation equipment. The Company utilizes its internally developed software systems in virtually all of its products. ETC focuses on software enhancements, product extensions, new product development and new marketplace applications. Sales of ATS products are made principally to U.S. and foreign government agencies and to the entertainment market. Sales of industrial simulation equipment, which includes sterilizers, environmental systems and hypo/hyperbaric equipment, are made to both commercial customers and governmental agencies worldwide.

On April 21, 1998, the Company acquired a 65% ownership in MP-PZL Aerospace Industries, Ltd. ("MP-PZL"), a simulation and advanced training device manufacturing company located in Warsaw, Poland, for $375 in cash, an 8% interest-only three-year note payable for $350 and 55,000 shares of the Company's common stock valued at $495. MP-PZL was subsequently renamed ETC-PZL Aerospace Industries SP. Z O.O. ("ETC-PZL"). The Company's cost for this acquisition was $1,220 and has been recorded in the balance sheet under the purchase method of accounting for business combinations. In connection with the acquisition, the Company recorded goodwill of $662.

On September 9, 2000, the Company purchased an additional 30% ownership interest in ETC-PZL for $300 cash, bringing the Company's total ownership to 95%. This transaction resulted in a reduction in goodwill of $101.

During the fiscal quarter ended November 24, 2000, the Company purchased the assets of the "Pro-Pilot" flight simulation game for $400. This purchase was classified as an asset purchase (and not a business combination) and thus no goodwill resulted from the transaction.

Principles of Consolidation:

The consolidated financial statements include the accounts of Environmental Tectonics Corporation, Environmental Technology Corporation and ETC Delaware, its wholly owned subsidiaries, ETC International Corporation, its 95% owned subsidiary, ETC-PZL Aerospace Industries SP. Z 0.0, and its 99% owned subsidiary, ETC Europe. All material inter-company accounts and transactions have been eliminated in consolidation. The Company's fiscal year is the 52-or 53-week annual accounting period ending the last Friday in February.

Use of Estimates:

In preparing financial statements in conformity with accounting principles generally accepted in the United States, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates are made for revenue recognition under the percentage of completion method (see Note 1, Revenue Recognition), claims receivable, inventory and computer software costs.

At February 28, 2003, the Company had recorded receivables in the amount of $11.7 million for claims made or to be made against the U.S. government and an international customer for contract costs incurred through February 28, 2003. The total net claims amount filed with the U.S. government and an international customer at February 28, 2003, was approximately $38.3 million based on costs incurred through February 28, 2003. On May 9, 2002, the Company reached a final settlement agreement on one of its prior claims totaling approximately $6.9 million with the U.S. government. This settlement was paid to the Company in July 2002. The international claims are subject to negotiation, arbitration and audit by the international customer.

Total claims outstanding at February 28, 2003 was approximately $38.3 million based on costs incurred through February 28, 2003. However, under generally accepted accounting principles, the Company had recorded only $11.7 million or 30.5% of this amount on its books.

Revenue Recognition:

Revenue is recognized on long-term contracts utilizing the percentage of completion method based on costs incurred as a percentage of estimated total costs. Revenue recognized on uncompleted long-term contracts in excess of amounts billed to customers is reflected as an asset. Amounts billed to customers in excess of revenue recognized on uncompleted long-term contracts are reflected as a liability. When it is estimated that a contract will result in a loss, the entire amount of the loss is accrued. The effect of revisions in

cost and profit estimates for long-term contracts is reflected in the accounting period in which the facts requiring the revisions become known. Contract progress billings are based upon contract provisions for customer advance payments, contract costs incurred and completion of specified contract milestones. Contracts may provide for customer retainage of a portion of amounts billed until contract completion. Retainage is generally due within one year of completion of the contract. Revenue for contracts under $100, or to be completed in less than one year, and where there are no post-shipment services included in the contract, and revenue on parts and services, are recognized as shipped. Under these contracts, title passes at shipment. Revenue on those types of contracts where post-shipment services (such as installation and acceptance) are required is recognized upon customer acceptance. Revenue for service contracts is recognized ratably over the life of the contract with related material costs expensed as incurred.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements (SAB 101) which addresses certain criteria for revenue recognition. SAB 101, as amended by SAB 101A and SAB 101B, outlines the criteria that must be met to recognize revenue and provides guidance for disclosures related to revenue recognition policies. The Company implemented the applicable provisions of SAB 101 for the fiscal year ending February 23, 2001, with no material impact on the Company's results of operations.

In September 2000, the Emerging Issues Task Force reached a consensus on Issue 00-10, "Accounting for Shipping and Handling Fees and Costs" (Issue 00-10). Issue 00-10 requires that all amounts billed to customers related to shipping and handling be classified as revenues. In addition, Issue 00-10 specifies that the classification of shipping and handling costs is an accounting policy decision that should be disclosed pursuant to APB 22, "Disclosure of Accounting Policies". The Company's product costs includes amounts for shipping and handling. Therefore, the Company charges its customers shipping and handling fees at the time the products are shipped or when its services are performed. The cost of shipping products to the customer is recognized at the time the products are shipped to the customer and is included in Cost of Goods Sold. Adoption of this consensus opinion had no effect on the Company's current and previous classifications.

Cash and Cash Equivalents:

Cash and cash equivalents include short-term deposits at market interest rates with original maturities of three months or less. The Company maintains cash balances at several financial institutions located in the Northeast United States and at some locations internationally. Accounts in each domestic institution are insured by the Federal Deposit Insurance Corporation up to $100. During each fiscal year, the Company periodically has cash and cash equivalents in excess of insured amounts. However, a significant portion of the Company's funds are with one financial institution which has had no experience of significant customer losses to date.

Inventories:

Inventories are valued at the lower of cost or market. Cost is determined principally by the first-in, first-out method. The costs of finished goods and work-in-process inventories include material, direct engineering, manufacturing labor and overhead components. The Company periodically reviews the net realizable value of the inventory and, if necessary, writes down the recorded costs.

Depreciation of Property, Plant and Equipment:

Property, plant and equipment are depreciated over their estimated useful lives by the straight-line method for financial reporting purposes. Accelerated depreciation methods are used for tax purposes. Upon sale or retirement of property, plant and equipment, the costs and related accumulated depreciation are eliminated from the accounts. Any resulting gains or losses are included in the determination of net income.

Amortization of Goodwill:

Goodwill of $662 was recorded in fiscal 1999 for the Company's 65% ownership purchase of ETC-PZL Aerospace Industries, SP. Z O.O. On September 27, 2000, the Company purchased an additional 30% ownership for $300 cash, bringing the Company's total ownership to 95%. This transaction resulted in a reduction in goodwill of $101. Amortization expense was $0, $17, and $35 in fiscal years 2003, 2002 and 2001, respectively, and accumulated amortization was $113 as of February 28, 2003 and February 22, 2002.

On February 23, 2002, we adopted SFAS No. 142 "Goodwill and Intangible Assets" (SFAS No. 142). SFAS No. 142 includes requirements to annually test goodwill and indefinite lived intangible assets for impairment rather than amortize them. Accordingly, we no longer amortize goodwill, thereby eliminating an annual amortization charge of approximately $29. We have completed documentation of our transitional goodwill impairment tests and have not recorded any transitional goodwill impairment loss as a result of our adoption of SFAS No. 142. Additionally, we did not record any transitional intangible asset impairment loss upon adoption of SFAS No. 142.

1. Summary of Significant Accounting Policies (Continued):

Reported net income, exclusive of amortization expense that is related to goodwill that is no longer being amortized, would have been:

Fiscal year ended	February 2003	February 2002	February 2001
Reported net earnings	$2,493	$1,741	$2,021
Goodwill amortization	-	17	35
Adjusted net earnings	$2,493	$1,758	$2,056
Basic earnings per share:			
Reported net earnings	$0.35	$0.24	$0.29
Goodwill amortization	-	.01	-
Adjusted net earnings	$0.35	$0.25	$0.29
Diluted earnings per share:			
Reported net earnings	$0.33	$0.23	$0.27
Goodwill amortization	-	-	-
Adjusted net earnings	$0.33	$0.23	$0.27

Capitalized Software Development Costs:

The Company capitalizes the qualifying costs of developing software contained in certain products. Capitalization of costs requires that technological feasibility has been established. When the software is fully documented and tested, capitalization of development costs cease and amortization commences on a straight-line basis over a period ranging from 36 to 60 months, depending upon the life of the product, which, at a minimum, approximates estimated sales. Realization of capitalized software costs is subject to the Company's ability to market the related product in the future and generate cash flows to support future operations. Capitalized software costs totaled $1,193 and $989, respectively, for the fiscal years ended February 28, 2003 and February 22, 2002. Related software amortization totaled $653, $496 and $455, respectively, for fiscal 2003, 2002, and 2001.

Research and Development:

Research and development expenses are charged to operations as incurred. During fiscal 2003, 2002 and 2001 the Company incurred research and development costs of approximately $636, $600, and $903, respectively.

Amortization of Deferred Financing Costs:

During fiscal 2002, all remaining capitalized costs relating to the March 1997 financing of the Company were expensed. Capitalized costs relating to the Company's bond issuance on March 15, 2000 are being amortized over the relevant term. Amortization expense relating to deferred financing costs was $75, $293 and $146 in fiscal 2003, 2002 and 2001, respectively (see Note 6 to Consolidated Financial Statements).

During fiscal 2003, $719 of deferred finance costs associated with the PNC/Lenfest financing had been recorded. These costs will be amortized beginning in fiscal 2004 at a rate of $240 per year for fiscal 2004 and fiscal 2005 and $239 for fiscal 2006.

1. Summary of Significant Accounting Policies (Continued):

Original Issue Discount

During fiscal 2003, the Company had recorded $2,609 in additional paid-in capital representing an allocation of the proceeds from the convertible debt element of its financing with PNC and Lenfest. This allocation represents the value assigned to the beneficial conversion option of the Lenfest promissory note and the value of the associated warrants. Such values were derived pursuant to an independent appraisal of these financial instruments obtained by the Company. This amount will be amortized using the effective interest method over six years, the term of the convertible promissory note, beginning in fiscal 2004.

Income Taxes:

The Company accounts for income taxes using the liability method, which reflects the impact of temporary differences between values recorded for assets and liabilities for financial reporting purposes and values utilized for measurement in accordance with applicable tax laws.

Long-Lived Assets:

The Company followed the provisions of Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," which provided guidance on when to recognize and how to measure impairment losses of long-lived assets and certain identifiable intangibles, and how to value long-lived assets to be disposed of. This involved a review of goodwill and other intangibles to assess recoverability from future operations using undiscounted future cash flows. Any impairments were recognized in operating results to the extent that carrying value exceeded fair value, which was determined based on the net present value of estimated future cash flows. Effective February 22, 2002, the Company adopted SFAS No. 144, "Impairment or Disposal of Long-Lived Assets" which requires additional impairment testing for long-lived assets.

Stock Options:

The Company accounts for stock options under the alternate provisions of SFAS No. 123 (discussed below), "Accounting for Stock-Based Compensation," as amended by SFAS No. 148, which contains a fair value-based method for valuing stock-based compensation that entities may use, which measures compensation cost at the grant date based on the fair value of the award. Compensation is then recognized over the service period, which is usually the vesting period. Alternatively, SFAS No. 123 permits entities to continue accounting for employee stock options and similar equity instruments under Accounting Principles Board (APB) Opinion 25, "Accounting for Stock Issued to Employees." Entities that continue to account for stock options using APB Opinion No. 25 are required to make pro-forma disclosures of net income and earnings per share, as if the fair value-based method of accounting defined in SFAS No. 123 had been applied.

At February 28, 2003, the Company has one stock-based employee compensation plan, which is described more fully in Note 10 to Consolidated Financial Statements. The Company accounts for those plans under the recognition and measurement principles of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations. No stock-based employee compensation cost is reflected in net income, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share if the company had applied the fair value recognition provisions of FASB Statement No. 123, Accounting for Stock-Based Compensation, to stock-based employee compensation.

1. Summary of Significant Accounting Policies (Continued):

	Fiscal year ended		
	February 28, 2003	February 22, 2002	February 23, 2001
Net income, as reported	$ 2,493	$ 1,741	$ 2,021

Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(275)	(456)	(472)
Pro forma net income	$ 2,218	$ 1,285	$ 1,549
Earnings per share:			
Basic--as reported	$.35	$.24	$.29
Basic--pro forma	$.31	$.18	$.22
Diluted--as reported	$.33	$.23	$.27
Diluted--pro forma	$.30	$.17	$.21

The fair value of each option grant is estimated on the date of grant using the Black-Scholes options-pricing model with the following weighted average assumptions used for grants in fiscal 2002: expected volatility of 30.1%; risk-free interest rate of 5.01%; and an expected life of 10 years. There were no grants in fiscal 2001 and fiscal 2003.

Advertising Costs:

The Company expenses advertising costs, which include trade shows, as incurred. Advertising expense was $464, $438 and $345 in fiscal 2003, 2002, and 2001, respectively.

Earnings Per Common Share:

The Company has adopted SFAS No. 128, "Earnings Per Share." This standard requires presentation of basic and diluted earnings per share together with disclosure describing the computation of the per share amounts. 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 illustrates reconciliations of the numerators and denominators of the basic and diluted earnings per share computations.

	Fiscal year ended February 28, 2003		
	Income ($000) (numerator)	Weighted average shares (denominator)	Per share amount
Net income	$2,493		
Basic earnings per share			
Income available to common stockholders	$2,493	7,153,000	$.35
Effective of dilutive securities			
Stock options		22,717	
Convertible Debt		4,151	
Stock warrants		317,407	
Diluted earnings per share			
Income available to common stockholders plus effect of dilutive securities	$2,493	7,497,275	$.33

At February 28, 2003, options to purchase the Company's common stock totaling 421,614 shares were outstanding, 341,314 of which were not included in the computation of diluted earnings per share as the effect of such inclusion would be anti-dilutive.

	Fiscal year ended February 22, 2002		
	Income ($000)	Weighted average shares	Per share amount
	(numerator)	(denominator)	
Net income	$1,741		
Basic earnings per share			
Income available to common stockholders	$1,741	7,142,946	$.24
Effective of dilutive securities			
Stock options		44,180	
Stock warrants		311,460	
Diluted earnings per share			
Income available to common stockholders plus effect of dilutive securities	$1,741	7,498,586	$.23

At February 22, 2002, options to purchase the Company's common stock totaling 448,514 shares were outstanding, 313,750 of which were not included in the computation of diluted earnings per share as the effect of such inclusion would be anti-dilutive.

	Fiscal year ended February 23, 2001		
	Income ($000)	Weighted average shares	Per share amount
	(numerator)	(denominator)	
Net income	$2,021		
Basic earnings per share			
Income available to common stockholders	$2,021	7,087,163	$.29
Effective of dilutive securities			
Stock options		97,653	
Stock warrants		313,901	
Diluted earnings per share			
Income available to common stockholders plus effect of dilutive securities	$2,021	7,498,717	$.27

2. Accounts Receivable:

The components of accounts receivable at February 28, 2003 and February 22, 2002 are as follows:

	2003	2002
U.S. government receivables billed and unbilled contract costs subject to negotiation	$ 2,719	$ 6,281
U.S. commercial receivables billed	2,002	2,918
International receivables billed and unbilled contract costs subject to negotiation	11,918	11,030
	16,639	20,229
Less allowance for doubtful accounts	(446)	(373)
	$ 16,193	$ 19,856

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

Unbilled contract costs subject to negotiation as of February 28, 2003 represent claims made against the U.S. government under a contract for a submarine rescue decompression project. These costs, totaling $2,066, were recorded beginning in fiscal year 2002, and include $1,691 recorded during fiscal year 2003. Unbilled contract costs subject to negotiation as of February 22, 2002 included claims made against the U.S. government under a contract for a centrifuge of $5,547. On May 9, 2002, the Company reached a final settlement agreement totaling $6,910 with the U.S. Navy for all outstanding amounts on this claim.

2. Accounts Receivable (Continued):

International receivables billed:

International receivables billed included $700 at February 28, 2003 and February 22, 2002 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 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 the termination, the RTAF made a call on a $230 performance bond, as well as a draw on an approximately $1,100 one 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 remain 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 the testing 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. On August 30, 2001, the Company received a payment of $230 representing the amount due on the performance bond.

The open balance of $700 due on the contract represents the total net exposure to the Company on this contract. As of February 28, 2003, the Company has authorized its Thai attorneys to commence and prosecute arbitration proceedings, and it is anticipated that this will occur in the near future. However, since the circumstances that caused a delay are commonly considered "force majeure" events, and since the contract under question allows for consideration of "force majeure" events, the Company believes that the open balance related to this contract is collectible and will continue to treat this balance as collectible until a final unappealable legal decision is rendered by a competent Thai tribunal. The Company has enjoyed a favorable relationship with the RTAF. It currently has both maintenance and upgrade contracts with the RTAF for the trainers that are the subject of the dispute, and it is not anticipated that the initiation of legal action against the RTAF will have any material adverse impact on future sales to the RTAF. As of the date of this Annual Report on Form 10-K, the Company is not able to determine what, if any, impact the extended completion and payment period will have upon the receipt of the total amount due.

Unbilled contract costs subject to negotiation represent claims made or to be made against an international customer for two contracts covering 1996 to the present. Trade and claims receivables and resulting revenue aggregating $9,451 have been recorded. Claim costs have been incurred in connection with customer caused delays, errors in specifications and designs, and other out-of-scope items and exchange losses and may not be received in full during fiscal 2004. In conformity with accounting principles generally accepted in the United States, revenue recorded by the Company from a claim does not exceed the incurred contract costs related to the claim. The Company is currently in arbitration with the international customer on both contracts. The company is currently updating and finalizing additional claims. As a related item, during the third quarter of fiscal 2000, an international customer, citing failure to deliver product within contract terms, assessed liquidated damages totaling approximately $1,600 on two contracts currently in progress. The Company disputes the basis for these liquidated damages and is vigorously contesting them. However, following generally accepted accounting principles, the Company has reduced contract values and corresponding revenues by approximately $1,600.

On July 20, 2001, the Company was notified by an international customer that they were terminating the centrifuge contract, which was approximately 90% complete. The termination included a request for the refund of advance milestone payments made to date.

The Company is arbitrating disputes which have arisen under this contract in the United Kingdom but is unable to assess the ultimate impact of the termination of the contract on current operations and financial condition. A limited hearing was held in January 2003 to review certain threshold contractual interpretation issues related to performance and safety. A full hearing on all issues is tentatively scheduled for October and November 2003.

Based on witness statements, expert reports and other facts, the Company believes that it has a reasonable basis to refute the safety concerns of the U.K. Ministry of Defense. The Company has installed seven centrifuges in the last 15 years throughout the world and none of these centrifuges have caused any accidents or injuries. The Company does not plan to reduce the carrying value of the trade and claims receivables of $6,842 until all unresolved matters have been properly adjudicated in the arbitration proceedings.

2. Accounts Receivable (Continued):

Claim bookings in fiscal 2003 and 2002 decreased operating income by $675 and $661 respectively. Claims bookings in fiscal 2001 increased operating income by $1,325. All amounts are net of associated manufacturing costs and legal expenses.

Net claims receivables were $11,700 and $9,600 at February 28, 2003 and February 28, 2002, respectively.

3. Costs and Estimated Earnings on Uncompleted Contracts:

Unbilled costs

Amounts not billed nor yet billable totaled $25,700 at February 28, 2003. Under most of the Company's contracts, invoices are issued upon the attainment of certain contract milestones, for example upon receipt of order, upon engineering drawing submittal, upon design acceptance, or upon shipment. Service contracts are billed monthly or quarterly. Parts and service are billed as shipped or completed.

The following is a summary of long-term contracts in progress at February 28, 2003 and February 22, 2002:

	2003	2002

Costs incurred on uncompleted long-term contracts	$ 23,941	$ 29,004
Estimated earnings	9,757	12,677
	33,698	41,681
Less billings to date	(29,720)	(32,789)
	$ 3,978	$ 8,892

	2003	2002
Included in accompanying balance sheets under the following captions:		
Costs and estimated earnings in excess of billings on uncompleted long-term contracts	$ 5,441	$ 9,391
Billings in excess of costs and estimated earnings on uncompleted long-term contracts	(1,463)	(499)
	$ 3,978	$ 8,892

Included in billings in excess of costs and estimated earnings on uncompleted long-term contracts is a provision for anticipated losses on contracts of $200 in fiscal 2003, 2002 and 2001.

4. Inventories:

Inventories consist of the following:

	Raw Material	Work in Process	Finished Goods	Total
February 28, 2003	$322	$5,629	$2,543	$8,494
February 22, 2002	110	4,470	2,581	7,161

Inventory is presented above net of an allowance for obsolescence of $ 646 and $ 738 in fiscal 2003 and 2002, respectively.

5. Property, Plant and Equipment:

The following is a summary of property, plant and equipment, at cost, and estimated useful lives at February 28, 2003 and February 22, 2002:

5. Property, Plant and Equipment (Continued):

	2003	2002	Estimated useful lives
Land	$ 100	$ 100	
Building and building additions	3,763	3,763	40 years
Machinery and equipment	8,611	8,173	3-5 years
Office furniture and equipment	1,195	1,192	10 years
Building improvements	1,393	1,393	5-10 years
	15,062	14,621	
Less accumulated depreciation	(9,976)	(9,303)	
Property, plant and equipment, net	$ 5,086	$ 5,318	

Depreciation expense for the fiscal years ended February 28, 2003, February 22, 2002 and February 23, 2001, was $ 673, $ 668 and $ 602, respectively.

6. Long-Term Obligation and Credit Arrangements:

Long-term obligations at February 28, 2003 and February 22, 2002 consist of the following:

	2003	2002
Credit facility payable to banks	$ 600	$11,755
Long Term Bonds	4,920	5,195
Subordinated debt, net of unamortized discount of $2,609	7,391	-
Term loans payable, accruing interest at between 9% and 9.9% collateralized by priority liens on certain equipment	13	19
	12,924	16,969
Less current portion	(281)	(281)
	$12,643	$16,688

The amounts of future long-term obligations maturing in each of the next five fiscal years are as follows:

2004	$ 281
2005	281
2006	876
2007	275
2008 and thereafter	11,211
Total future obligations	$12,924

The approximate average loan balance, maximum aggregate borrowings outstanding at any month-end payable under the credit facility and subordinated debt during the fiscal years, and weighted average interest rate computed by the days outstanding method as of February 28, 2003 and February 22, 2002 are as follows:

	2003	2002
Approximate average loan balance	8,219	10,631
Maximum aggregate	11,445	11,926
Weighted average interest rate	4.37%	6.35%

The Company established a senior credit facility with PNC Bank, National Association on February 19, 2003 and amended the facility on April 30, 2003. The PNC facility includes: (i) a revolving credit facility in the maximum aggregate principal amount of $14,800 to be used for the Company's working capital and general corporate purposes, including capital expenditures, with a sublimit for issuances of letters of credit in the maximum amount of $10,300, and (ii) a standby letter of credit in the amount of $5,025 as credit support for the Company's bonds.

Interest is charged on direct borrowings at the bank's prime rate plus 0.75% for a base rate loan or for a Eurodollar loan, LIBOR plus 3.25% or adjusted LIBOR in 2002 and 2001. The interest rates ranged from 4.00% to 5.00% during fiscal 2003 and from 4.50% to 8.25% during fiscal 2002.

6. Long-Term Obligation and Credit Arrangements (Continued):

The terms and conditions of the revolving loan and the line of credit are set forth in a credit agreement between the Company and PNC. Availability under the facility is determined each month based on a borrowing base consisting of a portion of the company's receivables, inventory and costs and estimated earnings in excess of billings net of billings in excess of costs and estimated earnings on uncompleted long-term contracts. As of February 28, 2003, availability under the $12,000 revolving facility was $7,913, which the Company had fully drawn.

The PNC credit facility is secured by (i) the grant of a first and prior security interest in all of the personal property of the Company, Entertainment Technology Corporation ("Entertainment"), and ETC Delaware, Inc. ("ETC Delaware"), each a wholly-owned subsidiary of the Company, in favor of PNC; (ii) the Company's grant of a first and prior security interest in all of the Company's accounts, deposits and all other negotiable and non-negotiable instruments owned by the Company in favor of PNC; (iii) the Company's grant of a first and prior mortgage on all of the Company's real property in favor of PNC; and (iv) the Company's grant of a first and prior security interest in all of the Company's rights to (a) all of the shares of capital stock of each of Entertainment and ETC Delaware and (b) 65% of the shares of capital stock owned by the company of each of its foreign subsidiaries in favor of PNC. In addition, the PNC credit agreement requires that Entertainment and ETC Delaware guarantee the Company's obligations under the PNC facility.

Also on February 19, 2003, the Company entered into a Convertible Note and Warrant Purchase Agreement with H.F. Lenfest ("Lenfest") for $10,000 face value of senior subordinated debt. The note accrues interest at the rate of 10% per annum and matures on February 18, 2009. The note allows Lenfest to convert all or part of the outstanding principal thereunder into shares of common stock at a conversion price of $6.05 per share.

The promissory note allows for quarterly interest payments in arrears with the principal due on February 18, 2009. At the Company's option, the quarterly interest payments may be deferred and added to the outstanding principal. At Lenfest's option, any deferred interest amounts may be converted into shares of common stock under the same terms and conditions as the convertible note.

The Company has obtained a valuation from an independent valuation firm of the convertible note and the associated warrant. Based on the results of this valuation, at February 28, 2003, $1,400 of value had been assigned to the beneficial conversion feature of the convertible note and $1,209 had been assigned to the value of the associated warrants. Both of these amounts have been credited to additional paid-in capital as of February 28, 2003, and the same amounts will be amortized to interest expense on the consolidated statement of operations over six years, the term of the convertible note, beginning in 2004.

The Company used a portion of the proceeds from the financing to satisfy its existing obligations to Wachovia Bank, the Company's former lender, and to permit PNC to issue a letter of credit to support the Company's bonds.

The Company's letter of credit limit under the revolving credit facility is $10,300, subject to borrowing base availability. The balance outstanding under these facilities at February 28, 2003, was $6,360. Fees on letters of credit outstanding were 1.75% at February 28, 2003 and 1.25% at February 22, 2002.

On March 15, 2000, the Company issued approximately $5,500 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 advance taken on the Company's revolving credit facility and to finance construction of an addition to the Company's main plant in Southampton, Pennsylvania. The bonds are secured by a $5,000 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 1.41% on May 15, 2003) with a cap of 17%, and are subject to mandatory redemption of $275 per year for 19 years and $245 for the 20th year.

The carrying value of these financial instruments approximates their fair values at February 28, 2003.

7. Leases:

Operating Leases

The Company leases certain premises and office equipment under operating leases which expire over the next five years. Future minimum rental payments required under noncancellable operating leases having a remaining term expiring after one fiscal year as of February 28, 2003 are $249 in 2004; $136 in 2005; $91 in 2006; $54 in 2007; and $0 in 2008 and thereafter.

7. Leases (Continued):

Total rental expense for all operating leases for the fiscal years ended February 28, 2003, February 22, 2002, and February 23, 2001, was $255, $197 and $117, respectively.

8. Income Taxes:

The components of the provision for income taxes are as follows:

	53 Weeks Ended February 28, 2003	52 Weeks Ended February 22, 2002	52 Weeks Ended February 23, 2001
Currently payable:			
Federal	$285	$ 42	$ 906
State	188	134	109
Foreign taxes	19	(230)	15
	492	(54)	1,030
Deferred:			
Federal	282	(36)	88
State	31	(3)	8
	313	(39)	96
	$805	$(93)	$1,126

A reconciliation of the statutory federal income tax rate to the effective tax rate is as follows:

	53 Weeks Ended February 28, 2003	52 Weeks Ended February 22, 2002	52 Weeks Ended February 23, 2001
Statutory income tax	34.0%	34.0%	34.0%
State income tax, net of federal tax benefit	3.7	5.4	2.2
Benefit of foreign sales corporation And extraterritorial income	(4.5)	(3.4)	(5.5)
Research and experimentation tax credit refunds attributable to open tax years	(0.0)	(37.8)	-
Research and experimentation and Other tax credits	(5.0)	(9.2)	-
Benefit of foreign and foreign-source Income or loss	(0.0)	(1.0)	-
Other, net	(3.5)	6.4	4.6
	24.7%	(5.6)%	35.3%

The tax effects of the primary temporary differences are as follows:

	2003	2002	2001
Deferred tax assets:			
Net products liability settlement	75	75	74
Vacation reserve	44	58	58
Inventory reserve	244	275	233
Receivable reserve	168	139	138
Warranty reserve	47	46	46
Other, net	111	122	66
Total current deferred tax asset	$ 689	$ 715	$ 615
Deferred tax liabilities:			
Amortization of capitalized software	$ 724	$ 488	$ 429
Depreciation	298	247	245
Total noncurrent deferred tax liability	$1,022	$ 735	$ 674

9. Business Segment Information:

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 produces devices which create and monitor the physiological effects of motion, including spatial disorientation and centrifugal forces for medical, training, research and entertainment markets. The Industrial Group business produce 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 Group	Total
Fiscal 2003			
Net sales	$31,612	$11,511	$43,123
Interest expense	423	95	518
Depreciation and amortization	1,136	265	1,401
Operating income	4,979	52	5,031
Income tax provision	1,139	(11)	1,128
Goodwill and intangibles	477	-	477
Identifiable assets	26,481	6,348	32,829
Expenditures for segment assets	406	35	441
Fiscal 2002			
Net Sales	$22,629	$ 9,898	$32,527
Interest expense	950	144	1,094
Depreciation and amortization	1,041	434	1,475
Operating income	2,631	1,347	3,978
Income tax provision	164	118	282
Goodwill and intangibles	477	-	477
Identifiable assets	33,160	5,408	38,568
Expenditures for segment assets	557	92	649
Fiscal 2001			
Net Sales	$23,567	$ 8,885	$32,452
Interest expense	558	94	652

Depreciation and amortization	796	482	1,278
Operating income	5,794	(906)	4,999
Income tax provision	1,833	(350)	1,483
Goodwill and intangibles	495	-	495
Identifiable assets	28,029	4,652	32,681
Expenditures for segment assets	2,306	322	2,628

	2003	2002	2001
Reconciliation to consolidated amounts:			
Corporate assets	14,869	9,914	12,676
Total assets	$47,698	$48,482	$40,705
Segment operating income	$5,031	$3,978	$4,888
Less interest expense	(518)	(1,094)	(652)
Less income taxes	(1,128)	(282)	(1,483)
Total profit for segments	3,385	2,602	2,641
Corporate home office expense	(915)	(1,105)	(766)
Interest and other expenses	(338)	(144)	(272)
Income tax benefit	323	375	357
Minority interest	38	13	(51)
Net income	$ 2,493	$ 1,741	$ 2,021

Segment operating income consists of net sales less applicable costs and expenses relating to these revenues. Unallocated general corporate expenses, letter of credit fees, interest expense, and income taxes have been excluded from the determination of the total profit for segments. General corporate expenses are primarily central administrative office expenses. Property, plant, and equipment are not identified with specific business segments because most of these assets are used in each of the segments.

9. Business Segment Information (Continued):

Approximately 57% of sales totaling $24,471 in 2003 were made to one international and one domestic customer in the ATS segment. Approximately 59% of sales totaling $19,143 in 2002 were made to one international and one domestic customer in the ATS segment. Approximately 43% of sales totaling $13,924 in 2001 were made to one international and one domestic customer in the ATS segment.

Included in the segment information for the year ended February 28, 2003, are export sales of $14,805. Of this amount, there are sales to or relating to governments or commercial accounts in Malaysia of $7,203. Sales to the U.S. government and its agencies aggregate $4,626 for the year ended February 28, 2003.

Included in the segment information for the year ended February 22, 2002 are export sales of $10,110. Of this amount, there are sales to or relating to governments or commercial accounts in Thailand of $3,284. Sales to the U.S. government and its agencies aggregate $1,194 for the year ended February 22, 2002.

Included in the segment information for the year ended February 23, 2001 are export sales of $16,404. Of this amount, there are sales to or relating to governments or commercial accounts in Great Britain of $5,660. Sales to the U.S. government and its agencies aggregated $2,064 for the year ended February 23, 2001.

10. Stock Options:

A summary of the status of the Incentive Stock Option Plan and the 1988 Incentive Stock Option Plan as of:

	February 28, 2003		February 22, 2002		February 23, 2001	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Outstanding at beginning of year	448,514	$7.04	464,350	$6.95	497,750	$6.80
Granted	-	-	27,564	7.38	-	-
Exercised	(4,150)	4.73	(32,400)	5.89	(33,400)	4.79
Forfeited	(22,750)	4.52	(11,000)	7.43	-	-
Outstanding at end of year	421,614	7.20	448,514	7.04	464,350	6.95
Options exercisable at year end	408,981	-	240,325	-	147,936	-
Weighted average fair value of options granted during the year	-	-	-	$7.01	-	-

The following information applies to options outstanding at February 28, 2003:

	Options outstanding			Options exercisable	
Range of exercise prices	Number Outstanding at February 28, 2003	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable at February 28, 2003	Weighted average exercise price
$2.25 to $3.38	7,800	3.5 years	$2.25	7,800	$2.25
$5.00 to $7.50	100,064	5.96 years	$5.65	87,431	$5.41
$7.81	313,750	6 years	$7.81	313,750	$7.81

11. Claims and Litigation:

In April 2003, Boenning & Scattergood, Inc. ("B&S") filed suit against the Company in the Court of Common Pleas in Philadelphia, Pennsylvania, seeking payment of $902 for financing fees allegedly due to B&S pursuant to the terms of an agreement for investment banking services which the Company entered into with a predecessor of B&S (the "B&S Agreement"). The Company has not yet responded to the complaint but believes that it has valid defenses to each of the claims of B&S and intends to vigorously defend itself against these claims. At this time, however, the Company is unable to predict the outcome of this matter.

Certain other claims, suits, and complaints arising in the ordinary course of business have been filed or are pending against the Company. In the opinion of management, after consultation with legal counsel handling these specific matters, all such matters are reserved for or adequately covered by insurance or, if not so covered, are without merit or are of such kind, or involve such amounts, as would not have a significant effect on the financial position or results of operations of the Company if disposed of unfavorably.

12. Employee Benefit Plan:

The Company maintains a retirement savings 401(k) plan for eligible employees. The Company's contributions to the plan are based on a percentage of the employees' qualifying contributions. The Company's contributions totaled $112, $114 and $124 in fiscal 2003, fiscal 2002, and fiscal 2001, respectively.

The Company has an Employee Stock Purchase Plan which was adopted by the Board of Directors on November 3, 1987. All employees meeting service requirements, except officers, directors and 10% shareholders, are eligible to voluntarily purchase common stock through payroll deductions up to 10% of salary. The Company makes a matching contribution of 20% of the employee's contribution. The Company has reserved 270,000 shares for issuance under the plan.

13. Quarterly Consolidated Financial Information (Unaudited):

Financial data for the interim periods of fiscal 2003, 2002 and 2001 were as follows:

	Quarter Ended			
Fiscal Year 2003	May 24	August 23	November 22	February 28
Net sales	$11,207	$11,041	$12,162	$8,713
Gross profit	3,583	3,263	3,579	3,773
Operating income	1,075	1,108	874	1,059
Income before income taxes	831	936	584	909
Minority interest	(27)	(5)	(6)	-
Net income	585	736	436	736
Earnings per common share:				
Basic	.08	.10	.06	.10
Diluted	.08	.10	.06	.10

	Quarter Ended			
Fiscal Year 2002	May 25	August 24	November 23	February 22
Net sales	$8,340	$7,414	$8,230	$8,543
Gross profit	2,693	2,393	3,667	2,712
Operating income	449	546	1,351	527
Income before income taxes	58	275	805	398
Minority interest	(5)	(4)	2	(6)
Net income	224	297	662	558
Earnings per common share:				
Basic	.03	.04	.09	.08
Diluted	.03	.04	.09	.07

13. Quarterly Consolidated Financial Information (Unaudited) (Continued):

	Quarter Ended			
Fiscal Year 2001	May 25	August 24	November 23	February 23
Net sales	$7,157	$6,994	$8,622	$9,679
Gross profit	3,355	2,678	2,809	4,233
Operating income	1,522	482	617	1,501
Income before income taxes	1,351	246	335	1,266
Minority interest	2	22	0	27
Net income	882	118	227	794
Earnings per common share:				
Basic	.13	.02	.03	.11
Diluted	.12	.02	.03	.10

ENVIRONMENTAL TECTONICS CORPORATION AND SUBSIDIARIES SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS
($ in thousands)

Column A	Column B	Column C	Column D	Column E
Description	Balance at Beginning of Period	Charges/ (Credits) to Costs/ Expenses	Reductions (1)	Balance At End of Period
Year ended February 28, 2003:				
Valuation and qualifying accounts related to:				
Accounts receivable	$373	$137	$64	$446
Inventory	$738	$108	$200	$646
Property, plant and equipment	$9,303	$673	$--	$9,976
Software development costs	$6,166	$653	$--	$6,819
Other assets	$113	$--	$--	$113
Year ended February 22, 2002				
Valuation and qualifying accounts related to:				
Accounts receivable	$370	$3	$--	$373
Inventory	$630	$108	$--	$738
Property, plant and equipment	$8,635	$668	$--	$9,303
Software development costs	$5,670	$496	$--	$6,166
Other assets	$96	$311	$294	$113
Year ended February 23, 2001				
Valuation and qualifying accounts related to:				
Accounts receivable	$367	$3	$--	$370
Inventory	$720	$100	$190	$630
Property, plant and equipment	$8,004	$631	$--	$8,635
Software development costs	$5,215	$455	$--	$5,670
Other assets	$61	$192	$157	$96

(1) Amounts written off or retired

EXHIBIT 21

List of Subsidiaries

Name	Jurisdiction	% Ownership
Entertainment Technology Corporation	PA	100%
ETC International Corporation	Barbados	100%
ETC-PZL Aerospace Industries	Poland	95%
ETC-Europe	Great Britain	99%
ETC-Delaware	Delaware	100%

EXHIBIT 23

Consent of Independent Certified Public Accountants

We have issued our report dated May 8, 2003, accompanying the consolidated financial statements included in the Annual Report of Environmental Tectonics Corporation and Subsidiaries on Form 10-K for the year ended February 28, 2003 and Part II of this form. We hereby consent to the incorporation by reference of said report in the Registration Statement of Environmental Tectonics Corporation and Subsidiaries of Form S-8 (File No. 333-65469, effective October 8, 1998), Form S-8 (File No 2-92407, effective August 14, 1984) and on Form S-3 (File No. 33-42219, effective September 4, 1991).

Grant Thornton LLP

Philadelphia, Pennsylvania
May 8, 2003

EXHIBIT 99.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K for the fiscal year ended February 28, 2003 as filed with the Securities and Exchange Commission by Environmental Tectonics Corporation (the "Company") on the date hereof (the "Report"), I, William F. Mitchell, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

William F. Mitchell

William F. Mitchell
Chief Executive Officer

May 29, 2003

EXHIBIT 99.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K for the fiscal year ended February 28, 2003 as filed with the Securities and Exchange Commission by Environmental Tectonics Corporation (the "Company") on the date hereof (the "Report"), I, Duane D. Deaner, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Duane D. Deaner

Duane D. Deaner
Chief Financial Officer

May 29, 2003