SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the quarterly period ended June 30, 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 No. 111596

PERMA-FIX ENVIRONMENTAL SERVICES, INC.
(Exact name of registrant as specified in its charter)

Delaware	58-1954497
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)
1940 N.W. 67th Place, Gainesville, FL	32653
(Address of principal executive offices)	(Zip Code)

(352) 373-4200
(Registrant's telephone number)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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 checkmark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).
Yes |X| No ___

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

Class	Outstanding at August 11, 2003
Common Stock, $.001 Par Value	34,799,254 (excluding 988,000 shares held as treasury stock)

PERMA-FIX ENVIRONMENTAL SERVICES, INC.

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PERMA-FIX ENVIRONMENTAL SERVICES, INC.
CONSOLIDATED FINANCIAL STATEMENTS

PART I, ITEM 1

The consolidated financial statements included herein have been prepared by the Company (which may be referred to as we, us or our), without an audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes the disclosures which are made are adequate to make the information presented not misleading. Further, the consolidated financial statements reflect, in the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position and results of operations as of and for the periods indicated.

It is suggested that these consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2002.

The results of operations for the six months ended June 30, 2003, are not necessarily indicative of results to be expected for the fiscal year ending December 31, 2003.

PERMA-FIX ENVIRONMENTAL SERVICES, INC.
CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands, Except for Share Amounts)	June 30, 2003 (Unaudited)	December 31, 2002
ASSETS		
Current assets:		
Cash	$ 50	$ 212
Restricted cash	20	20
Accounts receivable, net of allowance for doubtful accounts of $1,257 and $1,212	20,964	21,820
Inventories	801	682
Prepaid expenses	2,317	2,722
Other receivables	364	113
Total current assets	24,516	25,569
Property and equipment:		
Buildings and land	20,901	16,161
Equipment	32,306	29,125
Vehicles	2,701	2,616
Leasehold improvements	11,057	10,963
Office furniture and equipment	2,070	1,954
Construction-in-progress	2,710	4,325
	71,745	65,144
Less accumulated depreciation and amortization	(17,576)	(15,219)
Net property and equipment	54,169	49,925
Intangibles and other assets:		
Permits, net	16,633	20,759
Goodwill, net	6,216	6,525
Finite Risk Sinking Fund	1,234	--
Other assets	4,455	3,047
Total assets	$ 107,223	$ 105,825

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

PERMA-FIX ENVIRONMENTAL SERVICES, INC.
CONSOLIDATED BALANCE SHEETS, CONTINUED

June 30,

(Amounts in Thousands, Except for Share Amounts)	2003 (Unaudited)	December 31, 2002
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 10,525	$ 9,759
Current environmental accrual	576	982
Accrued expenses	11,197	10,724
Current portion of long-term debt	3,530	3,373
Total current liabilities	25,828	24,838
Environmental accruals	1,714	1,714
Accrued closure costs	4,925	4,929
Other long-term liabilities	1,491	1,332
Long-term debt, less current portion	28,382	27,142
Total long-term liabilities	36,512	35,117
Total liabilities	62,340	59,955
Commitments and Contingencies (see Note 5)	--	--
Preferred Stock of subsidiary, $1.00 par value; 1,467,396 shares authorized, 1,284,730 shares issued and outstanding, liquidation value $1.00 per share	1,285	1,285
Stockholders' equity:		
Preferred Stock, $.001 par value; 2,000,000 shares authorized, 2,500 shares issued and outstanding	--	--
Common Stock, $.001 par value; 75,000,000 shares authorized, 35,787,254 and 35,326,734 shares issued, including 988,000 shares held as treasury stock, respectively	36	35
Additional paid-in capital	67,470	66,799
Accumulated deficit	(21,854)	(20,172)
Interest rate swap	(192)	(215)
	45,460	46,447
Less Common Stock in treasury at cost; 988,000 shares	(1,862)	(1,862)
Total stockholders' equity	43,598	44,585
Total liabilities and stockholders' equity	$107,223	$105,825

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

PERMA-FIX ENVIRONMENTAL SERVICES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

<TABLE>
<CAPTION>

	Three Months Ended June 30,		Six Months Ended June 30,	
(Amounts in Thousands, Except for Per Share Amounts)	2003	2002	2003	2002
<S>	<C>	<C>	<C>	<C>
Net revenues	$ 19,909	$ 22,485	$ 39,427	$ 38,936
Cost of goods sold	15,391	14,536	29,848	27,847
Gross profit	4,518	7,949	9,579	11,089
Selling, general and administrative expenses	4,786	4,120	9,166	8,275
Income (loss) from operations	(268)	3,829	413	2,814
Other income (expense):				
Interest income	3	4	5	9
Interest expense	(691)	(722)	(1,393)	(1,427)
Interest expense-financing fees	(257)	(260)	(558)	(517)
Other	10	(54)	(55)	(81)
Net income (loss)	(1,203)	2,797	(1,588)	798
Preferred Stock dividends	(48)	(32)	(94)	(63)
Net income (loss) applicable to Common Stock	$ (1,251)	$ 2,765	$ (1,682)	$ 735
Net income (loss) per common share:				
Basic	$ (.04)	$ .08	$ (.05)	$ .02

Diluted	$ (.04)	$ .06	$ (.05)	$ .02
Number of shares and potential common shares used in net income (loss) per common share:				
Basic	34,798	34,210	34,702	34,134
Diluted	34,798	43,556	34,702	43,216

</TABLE>

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

PERMA-FIX ENVIRONMENTAL SERVICES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(Amounts in Thousands)	Six Months Ended June 30, 2003	2002
Cash flows from operating activities:		
Net income (loss)	$(1,588)	$ 798
Adjustments to reconcile net income (loss) to cash provided by (used in) operations:		
Depreciation and amortization	2,379	2,076
Provision for bad debt and other reserves	82	91
(Gain) Loss on sale of plant, property and equipment	(1)	3
Changes in assets and liabilities:		
Accounts receivable	774	(761)
Prepaid expenses, inventories and other assets	(1,932)	(364)
Accounts payable and accrued expenses	1,596	1,904
Net cash provided by operations	1,310	3,747
Cash flows from investing activities:		
Purchases of property and equipment, net	(1,337)	(2,616)
Proceeds from sale of plant, property and equipment	1	--
Change in restricted cash, net	(2)	(3)
Change in finite risk sinking fund	(1,234)	--
Net cash used in investing activities	(2,572)	(2,619)
Cash flows from financing activities:		
Net borrowings (repayments) of revolving loan and term note facility	1,678	(1,292)
Principal repayments of long-term debt	(1,169)	(1,024)
Proceeds from issuance of stock	591	418
Net cash provided by (used in) financing activities	1,100	(1,898)
Decrease in cash	(162)	(770)
Cash at beginning of period	212	860
Cash at end of period	$ 50	$ 90
Supplemental disclosure:		
Interest paid	$ 1,051	$ 1,232
Non-cash investing and financing activities:		
Issuance of Common Stock for services	17	23
Issuance of Common Stock for payment of dividends	63	63
Gain (Loss) on interest rate swap	23	(9)
Long-term debt incurred for purchase of property and equipment	726	414

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

PERMA-FIX ENVIRONMENTAL SERVICES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited, for the six months ended June 30, 2003)

<TABLE>
<CAPTION>

(Amounts in thousands, except for share amounts)	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Interest Rate Swap	Common Stock Held In Treasury	Total Stockholders' Equity
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 2002	2,500	$ --	35,326,734	$ 35	$ 66,799	$(20,172)	$ (215)	$ (1,862)	$ 44,585

Comprehensive loss:									
Net loss	--	--	--	--	--	(1,588)	--	--	(1,588)
Other Comprehensive loss:									
Gain on interest rate swap	--	--	--	--	--	--	23	--	23
Comprehensive loss									(1,565)
Preferred Stock dividends	--	--	--	--	--	(94)	--	--	(94)
Issuance of Common Stock for Preferred Stock dividend	--	--	25,165	--	63	--	--	--	63
Issuance of stock for cash and services	--	--	435,355	1	608	--	--	--	609
Balance at June 30, 2003	2,500	$ --	35,787,254	$ 36	$ 67,470	$(21,854)	$ (192)	$ (1,862)	$ 43,598

</TABLE>

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

PERMA-FIX ENVIRONMENTAL SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2003
(Unaudited)

Reference is made herein to the notes to consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2002.

1. Summary of Significant Accounting Policies

Our accounting policies are as set forth in the notes to consolidated financial statements referred to above.

Recent Accounting Pronouncements
In April 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. SFAS 149 amends SFAS No. 133 to provide clarification on the financial accounting and reporting of derivative instruments and hedging activities and requires that contracts with similar characteristics be accounted for on a comparable basis. The provisions of SFAS 149 are effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. The adoption of SFAS No. 149 is not expected to have an impact on the Company's consolidated financial statements.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity. SFAS 150 establishes standards on the classification and measurement of certain financial instruments with characteristics of both liabilities and equity. The provisions of SFAS 150 are effective for financial instruments entered into or modified after May 31, 2003 and to all other instruments that exist as of the beginning of the first interim financial reporting period beginning after June 15, 2003. The adoption of SFAS did not have an impact on the Company's consolidated financial statements.

Stock-Based Compensation
The Company accounts for, and plans to continue accounting for, its stock-based employee compensation plans under the accounting provisions of APB Opinion 25, Accounting for Stock Issued to Employees, and has furnished the pro forma disclosures required under Statement of Financial Accounting Standards ("SFAS") 123, Accounting for Stock-Based Compensation, and SFAS 148, Accounting for Stock-Based Compensation - Transition and Disclosure.

SFAS 123 requires us to provide pro forma information regarding net income and earnings per share as if compensation cost for our employee and director stock options had been determined in accordance with the fair market value-based method prescribed in SFAS 123. We estimate the fair value of each stock option at the grant date by using the Black-Scholes option-pricing model.

Under the accounting provisions of SFAS 123, our net income (loss) and net income (loss) per share would have been reduced to the pro forma amounts indicated below (in thousands except for per share amounts):

<TABLE>
<CAPTION>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
<S>	<C>	<C>	<C>	<C>
Net income (loss) applicable to Common Stock, as reported	$ (1,251)	$ 2,765	$ (1,682)	$ 735
Deduct: Total Stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(107)	(77)	(184)	(145)

Pro forma net income (loss) applicable to Common Stock	$ (1,358)	$ 2,688	$ (1,866)	$ 590
Earnings per share:				
Basic - as reported	$ (.04)	$ .08	$ (.05)	$ .02
Basic - pro-forma	$ (.04)	$ .08	$ (.05)	$ .02
Diluted - as reported	$ (.04)	$ .06	$ (.05)	$ .02
Diluted - pro-forma	$ (.04)	$ .06	$ (.05)	$ .01

</TABLE>

2. Recently Adopted Accounting Standards

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS 143, Accounting for Asset Retirement Obligations, which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The standard applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and normal use of the asset.

SFAS 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made, and that the associated asset retirement costs be capitalized as part of the carrying amount of the long-lived asset. In conjunction with the state mandated permit and licensing requirements, the Company is obligated to determine its best estimate of the cost to close, at some undetermined future date, its permitted and/or licensed facilities. The Company recorded this liability at the date of acquisition, with its offsetting entry being to goodwill and/or permits and has subsequently increased this liability as a result of changes to the facility and/or for inflation. The Company's current accrued closure costs reflect the current fair value of the cost of asset retirement. The Company adopted SFAS 143 as of January 1, 2003, and pursuant to the adoption the Company reclassified from goodwill and permits approximately $4,559,000, which represents the fair value of the Company's closing costs as recorded to goodwill or permits at the time each facility was acquired, into an asset retirement obligations account. The asset retirement obligation account is recorded as property and equipment (buildings). The Company will depreciate the asset retirement obligation on a straight-line basis over a period of 50 years. The new standard did not have a material impact on net income in the first six months of 2003, nor would it have had a material impact in the first six months of 2002 assuming an adoption of this accounting standard on a pro forma basis.

3. Earnings Per Share

Basic EPS is based on the weighted average number of shares of Common Stock outstanding during the period. Diluted EPS includes the dilutive effect of potential common shares. Diluted loss per share for the three and six months ended June 30, 2003, does not include potential common shares as their effect would be anti-dilutive.

The following is a reconciliation of basic net income (loss) per share and diluted net income (loss) per share for the three and six months ended June 30, 2003 and 2002.

<TABLE>
<CAPTION>

	Three Months Ended June 30,		Six Months Ended June 30,	
(Amounts in thousands except per share amounts)	2003	2002	2003	2002
<S>	<C>	<C>	<C>	<C>
Net income (loss) applicable to Common Stock - basic	$(1,251)	$ 2,765	$ (1,682)	$ 735
Effect of dilutive securities - Preferred Stock dividends	--	32	--	63
Net income (loss) applicable to Common Stock - diluted	$(1,251)	$ 2,797	$ (1,682)	$ 798
Basic net income (loss) per share	$ (.04)	$ .08	$ (.05)	$ .02
Diluted net income (loss) per share	$ (.04)	$ .06	$ (.05)	$ .02
Weighted average shares outstanding - basic	34,798	34,210	34,702	34,134
Potential shares exercisable under stock option plans	--	1,237	--	1,197
Potential shares upon exercise of Warrants	--	6,442	--	6,218
Potential shares upon conversion of Preferred Stock	--	1,667	--	1,667
Weighted average shares outstanding - diluted	34,798	43,556	34,702	43,216

Potential shares excluded from above weighted

average share calculations due to their anti-dilutive effect include:				
Upon exercise of Options	3,682	42	3,682	172
Upon exercise of Warrants	12,893	--	12,893	--
Upon conversion of Preferred Stock	1,667	--	1,667	--

</TABLE>

4. Long Term Debt

Long-term debt consists of the following at June 30, 2003, and December 31, 2002:

<TABLE>
<CAPTION>

(Amounts in Thousands)	June 30, 2003 (Unaudited)	December 31, 2002
<S>	<C>	<C>
Revolving Credit facility dated December 22, 2000, borrowings based upon eligible accounts receivable, subject to monthly borrowing base calculation, variable interest paid monthly at prime rate plus 1% (5.00% at June 30, 2003), balance due in December 2005.	$ 10,920	$ 8,742
Term Loan dated December 22, 2000, payable in equal monthly installments of principal of $83, balance due in December 2005, variable interest paid monthly at prime rate plus 1 1/2% (5.50% at June 30, 2003).	4,583	5,083
Three promissory notes dated May 27, 1999, payable in equal monthly installments of principal and interest of $90 over 60 months, due June 2004, interest at 7.0%.	1,043	1,538
Unsecured promissory note dated August 31, 2000, payable in lump sum in August 2005, interest paid annually at 7.0%.	3,500	3,500
Senior subordinated notes dated July 31, 2001, payable in lump sum on July 31, 2006, interest payable quarterly at an annual interest rate of 13.5%, net of unamortized debt discount of $1,000.	4,625	4,462
Promissory note dated June 25, 2001, payable in semiannual installments on June 30 and December 31 through December 31, 2008, variable interest accrues at the applicable law rate determined under the IRS Code Section (8.0% on June 30, 2003) and is payable in one lump sum at the end of installment period.	3,474	3,594
Installment agreement dated June 25, 2001, payable in semiannual installments on June 30 and December 31 through December 31, 2008, variable interest accrues at the applicable law rate determined under the IRS Code Section (8.0% on June 30, 2003) and is payable in one lump sum at the end of installment period.	863	893
Various capital lease and promissory note obligations, payable 2003 to 2008, interest at rates ranging from 5.2% to 17.9%.	2,904	2,703
	31,912	30,515
Less current portion of long-term debt	3,530	3,373
	$ 28,382	$ 27,142

</TABLE>

Revolving Credit and Term Loan
On December 22, 2000, the company entered into a Revolving Credit, Term Loan and Security Agreement ("Agreement") with PNC Bank, National Association, a national banking association ("PNC") acting as agent ("Agent") for lenders, and as issuing bank. The Agreement provides for a term loan ("Term Loan") in the amount of $7,000,000, which requires principal repayments based upon a seven-year amortization, payable over five years, with monthly installments of $83,000 and the remaining unpaid principal balance due on December 22, 2005. Payments commenced on February 1, 2001. The Agreement also provided for a revolving line of credit ("Revolving Credit") with a maximum principal amount outstanding at any one time of $15,000,000. The Revolving Credit advances are subject to limitations of an amount up to the sum of (a) up to 85% of Commercial Receivables aged 90 days or less from invoice date, (b) up to 85% of Commercial Broker Receivables aged up to 120 days from invoice date, (c) up to 85% of acceptable Government Agency Receivables aged up to 150 days from invoice date, and (d) up to 50% of acceptable unbilled amounts aged up to 60 days, less (e) reserves Agent reasonably deems proper and necessary. The Revolving Credit advances shall be due and payable in full on December 22, 2005. As of June 30, 2003, our excess availability under our revolving credit facility was $4,243,000 based on our eligible receivables.

Pursuant to the Agreement the Term Loan bears interest at a floating rate equal to the prime rate plus 1 1/2 %, and the Revolving Credit at a floating rate equal to the prime rate plus 1%. The loans are subject to a prepayment fee of 1

1/2 % in the first year, 1% in the second and third years and 3/4 % after the third anniversary until termination date.

In December 2000, the Company entered into an interest rate swap agreement related to its Term Loan. This hedge, has effectively fixed the interest rate on the notional amount of $3,500,000 of the floating rate $7,000,000 PNC Term Loan. The Company will pay the counterparty interest at a fixed rate equal to the base rate of 6.25%, for a period from December 22, 2000, through December 22, 2005, in exchange for the counterparty paying the Company one-month LIBOR rate for the same term (1.12% at June 30, 2003). At June 30, 2003, the market value of the interest rate swap was in an unfavorable value position of $192,000 and was recorded as a liability. During the six months ended June 30, 2003, the Company recorded a gain on the interest rate swap of $23,000, which offset other comprehensive loss on the Statement of Stockholders' Equity.

Effective as of June 2002, the Company and PNC entered into Amendment No. 1 to the Agreement, which, among other things, increased the letter of credit commitment from $500,000 to $4,500,000 and provided for a $4.0 million standby letter of credit. The standby Letter of Credit was issued to secure certain surety bond obligations. As a condition precedent to this Amendment No. 1, the Company paid a $50,000 amendment fee to PNC.

On May 23, 2003, the Company and PNC entered into Amendment No. 2 to the Agreement, which among other things reduced the letter of credit commitment from $4,500,000 to $500,000 and terminated the $4.0 million standby letter of credit. The standby letter of credit was previously issued to secure certain surety bond obligations, which provided financial assurance closure guarantees to the applicable states pursuant to the Company's permits and licenses. The financial assurance has been satisfied with a newly established 25-year finite risk insurance policy (see Note 5). This finite risk insurance policy required an upfront payment of $4.0 million, which was funded through the Revolving Credit with PNC, utilizing the collateral that previously supported the $4.0 million letter of credit. As a condition precedent to this Amendment No. 2, the Company paid a $25,000 amendment fee to PNC.

Three Promissory Notes
Pursuant to the terms of the Stock Purchase Agreements in connection with the acquisition of Perma-Fix of Orlando, Inc. ("PFO"), Perma-Fix of South Georgia, Inc. ("PFSG") and Perma-Fix of Michigan, Inc. ("PFMI"), a portion of the consideration was paid in the form of Promissory Notes, in the aggregate amount of $4,700,000 payable to the former owners of PFO, PFSG and PFMI. The Promissory Notes are paid in equal monthly installments of principal and interest of approximately $90,000 over five years and having an

interest rate of 5.5% for the first three years and 7% for the remaining two years. The aggregate outstanding balance of the Promissory Notes total $1,043,000 at June 30, 2003. Such amount is included in current portion of long term debt. Payments of such Promissory Notes are guaranteed by PFMI under a non-recourse guaranty, which non-recourse guaranty is secured by certain real estate owned by PFMI. These Promissory Notes are subject to subordination agreements with the Company's senior and subordinated lenders.

Unsecured Promissory Note
On August 31, 2000, as part of the consideration for the purchase of Diversified Scientific Services, Inc. ("DSSI"), the Company issued to Waste Management Holdings a long-term unsecured promissory note (the "Unsecured Promissory Note") in the aggregate principal amount of $3,500,000, bearing interest at a rate of 7% per annum and having a five-year term with interest to be paid annually and principal due in one lump sum at the end of the term of the Unsecured Promissory Note (August 2005).

Senior Subordinated Notes
On July 31, 2001, the Company issued approximately $5.6 million of its 13.50% Senior Subordinated Notes due July 31, 2006 (the "Notes"). The Notes were issued pursuant to the terms of a Note and Warrant Purchase Agreement dated July 31, 2001 (the "Purchase Agreement"), between the Company, Associated Mezzanine Investors - PESI, L.P. ("AMI"), and Bridge East Capital, L.P. ("BEC"). The Notes are unsecured and are unconditionally guaranteed by the subsidiaries of the Company. The Company's payment obligations under the Notes are subordinate to the Company's payment obligations to its primary lender and to certain other debts of the Company up to an aggregate amount of $25 million. The net proceeds from the sale of the Notes were used to repay the Company's previous short-term loan.

Under the terms of the Purchase Agreement, the Company also issued to AMI and BEC Warrants to purchase up to 1,281,731 shares of the Company's Common Stock ("Warrant Shares") at an initial exercise price of $1.50 per share (the "Warrants"), subject to adjustment under certain conditions which were valued at $1,622,000 and recorded as a debt discount and are being amortized over the term of the Notes. The Warrants, as issued, also contain a cashless exercise provision. The Warrant Shares are registered under an S-3 Registration Statement that was declared effective on November 27, 2002.

In connection with the sale of the Notes, the Company, AMI, and BEC entered into an Option Agreement, dated July 31, 2001 (the "Option Agreement"). Pursuant to the Option Agreement, the Company granted each purchaser an irrevocable option requiring the Company to purchase any of the Warrants or Warrant Shares then held by the purchaser (the "Put Option"). The Put Option may be exercised at any time commencing July 31, 2004, and ending July 31, 2008. In addition, each purchaser granted to the Company an irrevocable option to purchase all the Warrants or the Warrant Shares then held by the purchaser (the "Call Option"). The Call Option may be exercised at any time commencing July 31, 2005, and ending July 31, 2008. The purchase price under the Put Option and the Call Option is based on the quotient obtained by dividing (a) the sum of six times the Company's consolidated EBITDA for the period of the 12 most recent consecutive months minus Net Debt plus the Warrant Proceeds by (b) the Company's Diluted Shares (as the terms EBITDA, Net Debt, Warrant Proceeds, and Diluted Shares are defined in the Option Agreement). Pursuant to the guidance under EITF 00-19 on accounting for and financial presentation of securities that could potentially be settled in a Company's own stock, the put warrants would be classified outside of equity based on the ability of the holder to require cash settlement. Also, EITF Topic D-98 discusses the accounting for a security that will become redeemable at a future determinable date and its redemption is variable. This is the case with the Warrants as the date is fixed, but the put or call price varies. The EITF gives two possible methodologies for valuing the securities. The Company accounts for the changes in redemption value as they occur and the Company adjusts the carrying value of the security to equal the redemption value at the end of each reporting period. On June 30, 2003, the Put Option had no value and no liability was recorded.

Promissory Note

East Tennessee Materials and Energy Corporation ("M&EC") issued a promissory note for a principal amount of $3.7 million to PDC, dated June 7, 2001, for monies advanced to M&EC for certain services performed by PDC. The promissory note is payable over eight years on a semiannual basis on June 30 and December 31.

Interest is accrued at the applicable rate (8.00% on June 30, 2003) and payable in one lump sum at the end of the loan period. On June 30, 2003, the outstanding balance was $4,185,000 including accrued interest of approximately $711,000. PDC has directed M&EC to make all payments under the promissory note directly to the IRS to be applied to PDC's obligations under its installment agreement with the IRS.

Installment Agreement

In conjunction with the Company's acquisition of M&EC, M&EC entered into an installment agreement with the Internal Revenue Service ("IRS") for a principal amount of $923,000 dated June 7, 2001, for certain withholding taxes owed by M&EC. The installment agreement is payable over eight years on a semiannual basis on June 30 and December 31. Interest is accrued at the applicable law rate ("Applicable Rate") pursuant to the provisions of section 6621 of the Internal Revenue Code of 1986 as amended. Such rate is adjusted on a quarterly basis and payable in lump sum at the end of the installment period. On June 30, 2003, the rate was 8.00%. On June 30, 2003, the outstanding balance was $1,036,000 including accrued interest of approximately $173,000.

5. Commitments and Contingencies

Hazardous Waste

In connection with our waste management services, we handle both hazardous and non-hazardous waste, which we transport to our own, or other facilities for destruction or disposal. As a result of disposing of hazardous substances, in the event any cleanup is required, we could be a potentially responsible party for the costs of the cleanup notwithstanding any absence of fault on our part.

Legal

In the normal course of conducting our business, we are involved in various litigations. There has been no material change in legal proceedings from those disclosed previously in the Company's Form 10-K for year ended December 31, 2002, and the Company's Form 10-Q for the quarter ended March 31, 2003, except as stated below. We are not a party to any litigation or governmental proceeding which our management believes could result in any judgments or fines against us that would have a material adverse affect on the Company's financial position, liquidity or results of operations.

In connection with the lawsuit styled Bryson Adams, et. al. v. Environmental Purification Advancement Corporation, et. al., pending in the United Stated District Court, Western District of Louisiana, previously reported by the Company in its Form 10-Q for the first quarter of 2003, the Company's insurance carrier is defending the Company in this litigation under a reservation of rights.

Permits

We are subject to various regulatory requirements, including the procurement of requisite licenses and permits at our facilities. These licenses and permits are subject to periodic renewal without which our operations would be adversely affected. We anticipate that, once a license or permit is issued with respect to a facility, the license or permit will be renewed at the end of its term if the facility's operations are in compliance with the applicable regulatory requirements.

Accrued Closure Costs and Environmental Liabilities

We maintain closure cost funds to insure the proper decommissioning of our RCRA facilities upon cessation of operations. Additionally, in the course of owning and operating on-site treatment, storage and disposal facilities, we are subject to corrective action proceedings to restore soil and/or groundwater to its original state. These activities are governed by federal, state and local regulations and we maintain the appropriate accruals for restoration. We have recorded accrued liabilities for estimated closure costs and identified environmental remediation costs.

Insurance

We believe we maintain insurance coverage adequate for our needs and which is similar to, or greater than, the coverage maintained by other companies of our size in the industry. There can be no assurances, however,

those liabilities, which may be incurred by us, will be covered by our insurance or that the dollar amount of such liabilities, which are covered, will not exceed our policy limits. Under our insurance contracts, we usually accept self-insured retentions, which we believe is appropriate for our specific business risks. We are required by EPA regulations to carry environmental impairment liability insurance providing coverage for damages on a claims-made basis in amounts of at least $1 million per occurrence and $2 million per year in the aggregate. To meet the requirements of customers, we have exceeded these coverage amounts.

In June 2003, the Company entered into a 25-year finite risk insurance policy, which provides financial assurance to the applicable states for our permitted facilities in the event of unforeseen closure. Prior to obtaining or renewing operating permits we are required to provide financial assurance that guarantee to the states that in the event of closure our permitted facilities will be closed in accordance with the regulations. The policy provides $35 million of financial assurance coverage and has available capacity to allow for annual inflation and other performance and surety bond requirements. On the fourth and subsequent anniversaries of the contract inception, the Company may elect to terminate this contract.

6. Operating Segments

Pursuant to FAS 131, we define an operating segment as:

- A business activity from which we may earn revenue and incur expenses;
- Whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- For which discrete financial information is available.

We have three operating segments, which are defined as each business line that we operate. This however, excludes corporate headquarters, which does not generate revenue.

Our operating segments are defined as follows:

The Industrial Waste Management Services segment, which provides on-and-off site treatment, storage, processing and disposal of hazardous and nonhazardous industrial waste, commercial waste and wastewater through our six treatment, storage and disposal ("TSD") facilities; Perma-Fix Treatment Services, Inc., Perma-Fix of Dayton, Inc., Perma-Fix of Ft. Lauderdale, Inc., Perma-Fix of Orlando, Inc., Perma-Fix of South Georgia, Inc., and Perma-Fix of Michigan, Inc. We provide through Perma-Fix Government Services various waste management services to certain governmental agencies.

The Nuclear Waste Management Services segment, which provides treatment, storage, processing and disposal services for waste which is both hazardous and low-level radioactive ("Mixed Waste"). Included in such is research, development, on and off-site waste remediation of nuclear mixed and low-level radioactive waste through our three TSD facilities; Perma-Fix of Florida, Inc., Diversified Scientific Services, Inc., and East Tennessee Materials and Energy Corporation.

The Consulting Engineering Services segment provides environmental engineering and regulatory compliance services through Schreiber, Yonley & Associates, Inc. which includes oversight management of environmental restoration projects, air and soil sampling and compliance and training activities, as well as, engineering support as needed by our other segments.

The table below presents certain financial information in thousands by business segment for the three and six months ended June 30, 2003 and 2002.

Segment Reporting for the Quarter Ended June 30, 2003

<TABLE>
<CAPTION>

<S>	Industrial Waste Services <C>	Nuclear Waste Services <C>	Engineering <C>	Segments Total <C>	Corporate <C>	Consolidated Total <C>
Revenue from external customers	$11,265	$ 7,880	$ 764	$ 19,909	$ --	$ 19,909
Intercompany revenues	1,132	900	141	2,173	--	2,173
Interest income	1	--	--	1	2	3
Interest expense	192	458	(3)	647	44	691
Interest expense-financing fees	--	1	--	1	256	257
Depreciation and amortization	578	634	8	1,220	19	1,239
Segment profit (loss)	(579)	(747)	75	(1,251)	--	(1,251)
Segment assets(1)	42,318	55,583	2,179	100,080	7,143	107,223
Expenditures for segment assets	390	399	6	795	65	860

</TABLE>

Segment Reporting for the Quarter Ended June 30, 2002

<TABLE>
<CAPTION>

	Industrial Waste Services	Nuclear Waste Services	Engineering	Segments Total	Corporate	Consolidated Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenue from external customers	$ 9,721	$11,843	$ 921	$ 22,485	$ --	$ 22,485
Intercompany revenues	2,318	1,504	33	3,855	--	3,855
Interest income	4	--	--	4	--	4
Interest expense	166	555	1	722	--	722
Interest expense-financing fees	--	2	--	2	258	260
Depreciation and amortization	491	528	9	1,028	21	1,049
Segment profit (loss)	(601)	3,261	105	2,765	--	2,765
Segment assets(1)	40,822	53,534	2,233	96,589	4,175	100,764
Expenditures for segment assets	644	696	4	1,344	--	1,344

</TABLE>

Segment Reporting for the Six Months Ended June 30, 2003

<TABLE>
<CAPTION>

	Industrial Waste Services	Nuclear Waste Services	Engineering	Segments Total	Corporate	Consolidated Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenue from external customers	$21,508	$16,266	$ 1,653	$ 39,427	$ --	$ 39,427
Intercompany revenues	2,275	1,307	274	3,856	--	3,856
Interest income	3	--	--	3	2	5
Interest expense	374	943	(6)	1,311	82	1,393
Interest expense-financing fees	--	3	--	3	555	558
Depreciation and amortization	1,112	1,211	18	2,341	38	2,379
Segment profit (loss)	(1,407)	(431)	156	(1,682)	--	(1,682)
Segment assets(1)	42,318	55,583	2,179	100,080	7,143	107,223
Expenditures for segment assets	836	1,068	8	1,912	152	2064

</TABLE>

Segment Reporting for the Six Months Ended June 30, 2002

<TABLE>
<CAPTION>

	Industrial Waste Services	Nuclear Waste Services	Engineering	Segments Total	Corporate	Consolidated Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenue from external customers	$18,059	$19,037	$1,840	$38,936	$ --	$ 38,936
Intercompany revenues	3,563	2,907	44	6,514	--	6,514
Interest income	8	--	--	8	1	9
Interest expense	332	1,095	4	1,431	(4)	1,427
Interest expense-financing fees	--	4	--	4	513	517
Depreciation and amortization	977	1,037	20	2,034	42	2,076
Segment profit (loss)	(1,918)	2,426	227	735	--	735
Segment assets(1)	40,822	53,534	2,233	96,589	4,175	100,764
Expenditures for segment assets	1,340	1,682	4	3,026	4	3,030

</TABLE>

(1) Segment assets have been adjusted for intercompany accounts to reflect actual assets for each segment.

PERMA-FIX ENVIRONMENTAL SERVICES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
PART I, ITEM 2

Forward-looking Statements

Certain statements contained within this report may be deemed "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 (collectively, the "Private Securities Litigation Reform Act of 1995"). All statements in this report other than a statement of historical fact are forward-looking statements that are subject to known and unknown risks, uncertainties and other factors, which could cause actual results and performance of the Company to differ materially from such statements. The words "believe," "expect," "anticipate," "intend," "will," and similar expressions identify forward-looking statements. Forward-looking statements contained herein relate to, among other things,

- Improve our operations and liquidity;
- anticipated improvement in the financial performance of the Company;
- ability to comply with the Company's general working capital requirements;
- ability to be able to continue to borrow under the Company's revolving line of credit;

- ability to generate sufficient cash flow from operations to fund all costs of operations and remediation of certain formerly leased property in Dayton, Ohio, and the Company's facilities in Memphis, Tennessee; Valdosta, Georgia; and Detroit Michigan;

- ability to remediate certain contaminated sites for projected amounts;

- ability to fund up to $4 million of budgeted capital expenditures for 2003;

- as the M&EC facility continues to enhance its processing capabilities and completes certain expansion projects, the Company could see higher total revenues under Oak Ridge Contracts;

- finalize surcharge issues relating to Oak Ridge Contracts;

- PFD being required to have a Title V air permit;

- PFD being able to treat the hydrolysate by-product;

- the volume of hydrolysate expected to be treated under the subcontract relating to the Newport Chemical Agent Disposal Facility;

- expectation that during one of our strongest periods of the year our working capital position will begin to improve;

- increasing other sources of revenue at M& EC; and

- management expects seasonal trend to continue that revenues and profits will increase in the third quarter.

While the Company believes the expectations reflected in such forward-looking statements are reasonable, it can give no assurance such expectations will prove to have been correct. There are a variety of factors, which could cause future outcomes to differ materially from those described in this report, including, but not limited to:

- general economic conditions;

- material reduction in revenues;

- inability to collect in a timely manner a material amount of receivables;

- increased competitive pressures;

- the ability to maintain and obtain required permits and approvals to conduct operations;

- the ability to develop new and existing technologies in the conduct of operations;

- ability to retain or renew certain required permits;

- discovery of additional contamination or expanded contamination at a certain Dayton, Ohio, property formerly leased by the Company or the Company's facilities at Memphis, Tennessee; Valdosta, Georgia and Detroit Michigan, which would result in a material increase in remediation expenditures;

- changes in federal, state and local laws and regulations, especially environmental laws and regulations, or in interpretation of such;

- potential increases in equipment, maintenance, operating or labor costs;

- management retention and development;

- financial valuation of intangible assets is substantially less than expected;

- termination of the Oak Ridge Contracts as a result of our lawsuit against Bechtel Jacobs or otherwise;

- continued inability or reduced levels of mixed waste shipments by the government;

- the requirement to use internally generated funds for purposes not presently anticipated;

- inability to continue to become profitable on an annualized basis;

- the inability of the Company to maintain the listing of its Common Stock on the NASDAQ;

- inability of the Company to process hydrolysate at our PFD facility;

- the determination that PFMI or PFO was responsible for a material amount of remediation at certain Superfund sites; and

- terminations of contracts with federal agencies or subcontracts involving federal agencies, or reduction in amount of waste delivered to the Company under these contracts or subcontracts.

The Company undertakes no obligations to update publicly any forward-looking statement, whether as a result of new information, future events or otherwise.

Critical Accounting Policies

In preparing the consolidated financial statements in conformity with generally accepted accounting principles, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as, the reported amounts of revenues and expenses during the reporting period. The Company believes the following critical accounting policies affect the more significant estimates used in preparation of the consolidated financial statements:

Allowance for Doubtful Accounts. The carrying amount of accounts receivable is reduced by an allowance for doubtful accounts, which is a valuation allowance that reflects management's best estimate of the amounts that will not be collected. During the six months ended June 30, 2003 and 2002 the allowance for doubtful accounts was increased, through a charge to bad debt expense, by $82,000 and $91,000, respectively, which remained consistent at 0.2% of net revenues. Management regularly reviews all accounts receivable balances that exceed 60 days from the invoice date and based on an assessment of current credit worthiness, estimates the portion, if any, of the balance that will not be collected, and writes off any uncollectible portion. These write-offs were approximately 0.9% and 0.8% of revenue and approximately 4.2% and 3.9% of accounts receivable for 2002 and 2001, respectively.

Intangible Assets. Intangible assets relating to acquired businesses consist primarily of the cost of purchased businesses in excess of the estimated fair value of net assets acquired ("goodwill") and the recognized permit value of the business. The Company continually reevaluates the propriety of the carrying amount of permits and goodwill to determine whether current events and circumstances warrant adjustments to the carrying value. Effective January 1, 2002, the Company adopted SFAS 142. The Company hired an independent appraisal firm to test goodwill and permits, separately, for impairment. The report provided by the appraiser indicated that no impairment existed as of January 1, 2002. Goodwill and permits were again tested as of October 1, 2002, which also indicated no impairment. Effective January 1, 2002, the Company discontinued amortizing indefinite life intangible assets (permits) and goodwill as required by SFAS 142.

Accrued Closure Costs. Accrued closure costs represent a contingent environmental liability to clean up a facility in the event the Company ceases operations in an existing facility. The accrued closure costs are estimates based on guidelines developed by federal and/or state regulatory authorities under RCRA. Such costs are evaluated annually and adjusted for inflationary factors and for approved changes or expansions to the facilities. Increases due to annual inflationary factors for 2003, 2002, and 2001 are approximately 1.1%, 2.2% and 2.1%, respectively, and based on the historical information, the Company does not expect future inflationary changes to differ materially from the previous years. Increases or decreases in accrued closure costs resulting from changes or expansions at the facilities are determined based on specific RCRA guidelines applied to the requested change. This calculation includes certain estimates, such as disposal pricing, external

labor, analytical costs and processing costs, which are based on current market conditions. However, the Company has no intention, at this time, to close any of its facilities.

Accrued Environmental Liabilities. The Company has four remediation projects currently in progress. The current and long-term accrual amounts for the projects are our best estimates based on proposed or approved processes for clean up. The circumstances that could affect the outcome range from new technologies that are being developed every day to reduce the Company's overall costs, to increased contamination levels that could arise as the Company completes remediation which could increase the Company's costs, neither of which the Company anticipates at this time. In addition, significant changes in regulations could adversely or favorably affect our costs to remediate existing sites or potential future sites, which cannot be reasonably quantified.

Disposal Costs. The Company accrues for waste disposal based upon a physical count of the total waste at each facility at the end of each accounting period. Current market prices for transportation and disposal costs are applied to the end of period waste inventories to calculate the disposal accrual. Costs are calculated using current costs for disposal, but economic trends could materially affect our actual costs for disposal. As there are limited disposal sites available to us, a change in the number of available sites or an increase or decrease in demand for the existing disposal areas could significantly affect the actual disposal costs either positively or negatively.

Self Insurance. We have a self-insurance program for certain health benefits. The cost of such benefits is recognized as expense in the period in which the claim occurred and includes an estimate of claims incurred but not reported ("IBNR"), with such estimates based upon historical trends. Actual health insurance claims may differ materially from the estimates, as a result of the nature and extent of the actual IBNR claims paid. The Company maintains separate insurance to cover the excess liability over an established specific single claim amount and also an aggregate annual claim total.

Results of Operations

The table below should be used when reviewing management's discussion and analysis for the three and six months ended June 30, 2003 and 2002:

<TABLE>
<CAPTION>

Consolidated (amounts in thousands)	Three Months Ended June 30, 2003	%	2002	%	Six Months Ended June 30, 2003	%	2002	%
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net revenues	$19,909	100.0	$ 22,485	100.0	$ 39,427	100.0	$38,936	100.0
Cost of goods sold	15,391	77.3	14,536	64.6	29,848	75.7	27,847	71.5
Gross profit	4,518	22.7	7,949	35.4	9,579	24.3	11,089	28.5
Selling, general and administrative	4,786	24.0	4,120	18.4	9,166	23.2	8,275	21.3
Income (loss) from operations	$ (268)	(1.3)	$ 3,829	17.0	$ 413	1.1	$ 2,814	7.2
Interest expense	(691)	(3.4)	(722)	(3.2)	(1,393)	(3.5)	(1,427)	(3.7)
Interest expense-financing fees	(257)	(1.3)	(260)	(1.2)	(558)	(1.4)	(517)	(1.3)
Preferred Stock dividends	(48)	(0.2)	(32)	(0.1)	(94)	(0.2)	(63)	(0.2)

</TABLE>

Summary - Three and Six Months Ended June 30, 2003 and 2002

The Company provides services through three reportable operating segments. The Industrial Waste Management Services segment is engaged in on-and off-site treatment, storage, disposal and processing of a wide variety of by-products and industrial, hazardous and non-hazardous wastes. This segment competes for materials and services with numerous regional and national competitors to provide comprehensive and cost-effective waste management services to a wide variety of customers nationwide. The Company operates and maintains facilities and businesses in the waste by-product brokerage, on-site treatment and stabilization, and off-site blending, treatment and disposal industries. The Nuclear Waste Management Services segment provides treatment, storage, processing and disposal services of mixed waste (waste containing both hazardous and low-level radioactive materials) and low-level radioactive wastes, including research, development and on-site and off-site waste remediation. The presence of nuclear and low-level radioactive constituents within the waste streams processed by this segment create different and unique operational, processing and permitting/licensing requirements from those contained within the Industrial Waste Management Services segment. The Company's Consulting Engineering Services segment provides a wide variety of environmental related consulting and engineering services to industry and government. The Consulting Engineering Services segment provides oversight management of environmental restoration projects, air and soil sampling, compliance reporting, surface and subsurface water treatment design for removal of pollutants, and various compliance and training activities.

Net Revenue

Consolidated net revenues decreased to $19,909,000 for the quarter ended June 30, 2003, as compared to $22,485,000 for the same quarter in 2002. This decrease of $2,576,000 or 11.5% is principally attributable to a decrease in the Nuclear Waste Management Services segment of approximately $3,963,000 resulting in part from the government's inability to ship waste to our facilities due to the war in Iraq and prolonged terrorism alerts. The Company also experienced a decrease in shipments from certain nuclear utilities principally as a result of similar security and transportation issues. From a comparative perspective, it is also important to note that an event project of approximately $1.8 million was included in the second quarter of 2002 and a surcharge of approximately $2.2 million was recorded in the second quarter of 2002, which applied to the first six months of 2002. Consolidated revenues under the Oak Ridge Contracts totaled $4,170,000 or 20.9% of total revenues for the three months ended June 30, 2003, compared to $3,320,000 or 14.8% for the three months ended June 30, 2002. In contrast to the above, under the Oak Ridge Contracts, Bechtel Jacobs was better able to move waste within the K-25 DOE complex, as there are no transportation issues due to our facility being located on the DOE site. The backlog of stored waste within the nuclear segment at June 30, 2003, was approximately $5,600,000 compared to $7,517,000 and $9,000,000 at March 31, 2003 and December 31, 2002, respectively. The Consulting Engineering Service segment experienced a decrease of approximately $158,000, which reflects the impact a weaker economy has on our client's expansion projects. Offsetting these decreases, was an increase in the Industrial Waste Management Services segment of approximately $1,545,000 resulting from certain new or expanded product lines, such as lab packing, overall improved waste volumes and improved pricing structure associated with certain of our Defense Reutilization & Marketing Service ("DRMS") government contracts and the revenues recognized for public outreach and treatability studies related to the Army's Newport hydrolysate project. See "Known Trends and Uncertainties and Significant Contracts" of this Management's Discussion and Analysis as to a lawsuit involving the Oak Ridge Contracts, and a discussion as to a complaint filed as to the hydrolysate project.

Consolidated net revenues increased to $39,427,000 from $38,936,000 for the six-month period ended June 30, 2003. This increase of $491,000 or 1.3% is primarily attributable to an increase in the Industrial Waste Management Services segment of approximately $3,449,000 resulting from certain new product lines, such as lab packing, improved waste volumes across all facilities, improved pricing structure associated with certain DRMS government contracts, the revenues recognized for public outreach and treatability studies related to the Army's Newport hydrolysate project and improved volumes associated with the implementation of the biological wastewater treatment system. Offsetting this increase was a decrease in the Nuclear Waste Management Services segment of approximately $2,770,000 resulting from the government's inability to ship waste to our facilities due to the war in Iraq and prolonged terrorism alerts and the impact of increased revenues during the same period of 2002 which included an event project of approximately $2.4 million and a

surcharge of approximately $2.2 million which applied to the first six months of 2002. Consolidated revenues under the Oak Ridge Contracts totaled $8,991,000 or 22.8% of total revenues for the six months ending June 30, 2003, compared to $4,325,000 or 11.1% for the six months ended June 30, 2002, which reflects increased revenues under the Oak Ridge Contracts along with the benefit of our facility being located within the DOE K-25 site. Additionally, the Consulting Engineering Services segment experienced a decrease of approximately $188,000, which reflects the impact a weaker economy has on our client's expansion projects. See "Known Trends and Uncertainties-Significant Contracts" of this Management's Discussion and Analysis as to a lawsuit involving the Oak Ridge Contracts and a discussion as to a complaint filed as to the hydrolysate project.

Cost of Goods Sold

Cost of goods sold for the Company increased $855,000 or 5.9% for the quarter ended June 30, 2003, as compared to the quarter ended June 30, 2002. This increase in cost of goods sold reflects an increase in the Industrial Waste Management Services segment of approximately $1,284,000, primarily associated with increased labor, disposal and transportation costs, which in part relates to the increase in revenues. Additional costs for disposal and transportation were incurred during the quarter due to operational and off specification waste issues, which are currently being addressed. Additionally, this increase reflects costs associated with the Army's Newport hydrolysate project. Offsetting this increase, was a decrease in the Nuclear Waste Management Services segment of $288,000 reflecting a decrease in disposal and treatment costs associated with the continued refinement of our treatment processes, partially offset by increased costs of operating the highly specialized processing equipment at our facilities. Additionally, the Consulting Engineering Services segment experienced a decrease of $141,000, which directly correlates to the decrease in revenues. Included within cost of goods sold is depreciation expense of $1,131,000 and $971,000 for the quarters ended June 30, 2003 and 2002, respectively, reflecting an increase of $160,000 over 2002.

Cost of goods sold increased $2,001,000 or 7.2% for the six-month period ended June 30, 2003, as compared to the six-month period ended June 30, 2002. This increase in cost of goods sold reflects an increase in the Industrial Waste Management Services segment of $2,580,000, primarily associated with increased labor, disposal and transportation costs, which correlates to the increase in revenues for this segment and the additional operating costs as discussed above. Costs associated with the Army's Newport hydrolysate project are also reflected in this increase. Offsetting this increase, was a decrease in the Nuclear Waste Management Services segment of $469,000 reflecting a decrease in disposal and treatment costs associated with the continued refinement of our treatment processes, partially offset by increased costs of operating the highly specialized processing equipment. Additionally, the Consulting Engineering Services segment experienced a decrease of $110,000, which directly correlates to the decrease in revenues. Included within cost of goods sold is depreciation expense of $2,167,000 and $1,921,000 for the six months ended June 30, 2003 and 2002, respectively, reflecting an increase of $246,000 over 2002.

Gross Profit

The resulting gross profit for the quarter ended June 30, 2003, decreased $3,431,000 to $4,518,000, which as a percentage of revenue is 22.7%, reflecting a decrease from the corresponding percentage of revenue of 35.4%. This decrease in gross profit percentage principally reflects a decrease in the Nuclear Waste Management Services segment from 47.0% in 2002 to 24.0% in 2003, reflecting the impact of the surcharge of $2.2 million in 2002, which applied to the first six months of 2002. Without the surcharge, the gross profit percentage for this segment for 2002 would have been 28.4%. Additionally, these facilities are high fixed cost facilities which due to regulatory, operational (health and safety) and specialty processing requirements, negatively impact the gross profit percentage when revenues are down. The Industrial Waste Management Services segment experienced a decrease in gross profit percentage from 21.3% in 2002 to 20.7% in 2003, which reflects the impact of additional costs associated with the Army's Newport hydrolysate project and other operational issues as discussed above. Offsetting this, however, was an increase in the Consulting Engineering Services segment from 34.3% in 2002 to 39.1% in 2003. This increase reflects the impact of higher margin projects that were subcontracted out during the quarter.

The resulting gross profit for the six months ended June 30, 2003, decreased $1,510,000 to $9,579,000, which as a percentage of revenue is 24.3%, reflecting a decrease from the corresponding six months in the 2002 percentage of revenue of 28.5%. This decrease in gross profit percentage principally reflects a decrease in the Nuclear Waste Management Services segment from 36.8% in 2002 to 29.0% in 2003, reflecting the impact of the surcharge of $2.2 million in 2002. Without the surcharge, the gross profit percentage for this segment for 2002 would have been 25.3%. Additionally, the Consulting Engineering Services segment experienced a slight decrease from 36.3% in 2002 to 35.7% in 2003, reflecting the impact of lower margin projects performed primarily in the first quarter of 2003. Offsetting these decreases, however, was an increase in the Industrial Waste Management Services segment from 18.9% in 2002 to 19.9% in 2003. This increase reflects the impact of improved waste volumes and pricing structure associated with DRMS government contracts, the benefit of higher margin event work performed in conjunction with DRMS government contracts and the positive impact of cost savings and operational changes within the segment.

Selling, General and Administrative

Selling, general and administrative expenses increased $666,000 or 16.2% for the quarter ended June 30, 2003, as compared to the quarter ended June 30, 2002. This increase reflects the impact of increased sales and marketing efforts within the Industrial Waste Management Services segment and the Nuclear Waste Management Services segment, which combined accounted for $355,000 of this increase, of which $300,000 was in payroll related expenses. In addition to the increased sales and marketing efforts within both segments, the industrial segment also enhanced its management infrastructure, established a centralized office and incurred certain overhead costs during the second quarter of 2003 which should result in improved operations in future periods. Additionally, the increase in the nuclear segment reflects the impact of a one-time write-off of acquisition costs totaling $167,000 associated with a mixed waste facility. The Company is no longer negotiating to acquire this facility. Included in selling, general and administrative expenses is depreciation and amortization expense of $107,000 and $78,000 for the second quarters of 2003 and 2002, respectively. As a percentage of revenue, selling, general and administrative expenses increased to 24.0% for the quarter ended June 30, 2003, compared to 18.4% for the same period in 2002.

Selling, general and administrative expenses increased $891,000 or 10.8% for the six months ended June 30, 2003, as compared to the same period in 2002. This increase reflects the above discussed impact of increased sales and marketing efforts within both the industrial and nuclear segments which accounted for approximately $539,000 of this increase and certain other organizational changes made within the Company. Additionally, this increase reflects the impact of a one-time write-off of acquisition costs totaling $167,000 associated with a mixed waste facility, which the Company is no longer negotiating to acquire. Included in selling, general and administrative expenses is depreciation and amortization expense of $211,000 and $155,000 for the six months ended June 30, 2003 and 2002, respectively. As a percentage of revenue, selling, general and administrative expenses increased to 23.2% for the six months ended June 30, 2003, compared to 21.3% for the same period in 2002.

Interest Expense

Interest expense decreased $31,000 for the quarter ended June 30, 2003, as compared to the corresponding period of 2002. This decrease reflects the impact of lower interest rates and decreased borrowing levels on the revolving credit and term loans with PNC Bank, National Association ("PNC"), which resulted in a decrease in interest expense of $35,000 when compared to the prior year. Additionally, the reduction in debt associated with past acquisitions resulted in a decrease in interest expense of $9,000. Offsetting these decreases was an increase in interest expense of $13,000 due to an increase in debt associated with facility and computer upgrades.

Interest expense also decreased by $34,000 for the six-month period ended June 30, 2003, as compared to the corresponding period of 2002. This decrease reflects the impact of lower interest rates and decreased borrowing levels on the revolving credit and term loans with PNC, which resulted in a decrease in interest expense of $39,000 when compared to prior year. Additionally, the reduction in debt associated with past acquisitions resulted in a decrease in interest expense of $18,000. Offsetting these decreases was an increase in interest expense of $23,000 due to an increase in debt associated with facility and computer upgrades.

Interest Expense - Financing Fees

Interest expense-financing fees decreased $3,000 for the three months ended June 30, 2003, as compared to the corresponding period for 2002. These financing fees are principally associated with the credit facility and term loan with PNC and the senior subordinated notes, and are amortized to expense over the term of the loan agreements.

Interest expense-financing fees increased by $41,000 for the six months ended June 30, 2003, as compared to the corresponding period of 2002. This increase was primarily due to a one-time write-off of fees associated with other short term financing.

Preferred Stock Dividends

Preferred Stock dividends increased $16,000 during the quarter ended June 30, 2003 as compared to the corresponding period of 2002. This increase was due to the accrual of preferred dividends on the preferred stock of our subsidiary, M&EC ("Series B Preferred"). The Series B Preferred was issued in conjunction with the acquisition of M&EC in June 2001, and began accumulating dividends in June 2002 at an annual interest rate of 5%.

Preferred stock dividends increased $31,000 during the six months ended June 30, 2003, as compared to the same period of 2002. This increase was also due to the accrual of the Series B Preferred.

Liquidity and Capital Resources of the Company

Our capital requirements consist of general working capital needs, scheduled principal payments on our debt obligations and capital leases, remediation projects and planned capital expenditures. Our capital resources consist primarily of cash generated from operations and funds available under our revolving credit facility. Our capital resources are impacted by changes in accounts receivable as a result of revenue fluctuation, economic trends, and collection activities.

At June 30, 2003, the Company had cash of $50,000. This cash total reflects a decrease of $162,000 from December 31, 2002, as a result of net cash provided by operations of $1,310,000 and cash provided by financing activities of $1,100,000 (principally net borrowings of long-term debt partially offset by proceeds from the issuance of Common Stock) offset by cash used in investing activities of $2,572,000 (principally net purchases of equipment, totaling $1,337,000 and a deposit to the finite risk sinking fund of $1,234,000). The Company is in a net borrowing position and therefore attempts to move all excess cash balances immediately to the revolving credit facility, so as to reduce debt and interest expense. During 2002 the Company implemented a centralized cash management system, which included new remittance lock boxes and resulted in accelerated collection activities and reduced cash balances, as idle cash is moved without delay to the revolving credit facility.

Operating Activities

Accounts receivable, net of allowances for doubtful accounts, totaled $20,964,000, a decrease of $856,000 from the December 31, 2002 balance of $21,820,000. This decrease reflects the impact of reduced revenues and better collection efforts within the Nuclear Waste Management Services segment, which resulted in a decrease of $2,879,000 and the Consulting Engineering Services segment which resulted in a decrease of $5,000. Offsetting these decreases was an increase in accounts receivable for the Industrial Waste Management Services segment of $2,028,000 reflecting the impact of increased revenues within this segment.

As of June 30, 2003, total consolidated accounts payable was $10,525,000, an increase of $766,000 from the December 31, 2002, balance of $9,759,000. This increase in accounts payable reflects the impact of increased revenues within in the Industrial Waste Management Services segment, increased accounts payable related to the Army's Newport hydrolysate project and unfinanced capital expenditures of $1,337,000 that occurred during the six months of 2003.

The working capital deficit at June 30, 2003, was $1,312,000, as compared to a working capital position of $731,000 at December 31, 2002, which reflects a decrease of $2,043,000 during the six months of 2003. This working capital decrease principally reflects the decreased accounts receivable balance at the end of the period, which correlates with the weaker revenues and better collection efforts, as discussed above. Additionally, increased accounts payable, unfinanced capital spending and partial funding of the finite risk insurance policy contributed to this deficit position.

Investing Activities

Our purchases of capital equipment for the six-month period ended June 30, 2003, totaled approximately $2,063,000, including financed purchases of $726,000. These expenditures were for expansion and improvements to the operations principally within the waste management segments. These capital expenditures were funded by the cash provided by operations and from proceeds from the issuance of stock. We have budgeted capital expenditures of up to approximately $6,500,000 for 2003, which included an estimated $1,393,000 for completion of certain 2002 projects in process, as well as other identified capital purchases for the expansion and improvement to the operations and for certain compliance related enhancements. Our purchases during 2003 include approximately $1,047,000 to complete certain of the 2002 projects in process. However, based upon the current status of the planning and evaluation of proposed projects, we believe that we will be spending only up to approximately $4,000,000 for capital expenditures for 2003. We anticipate funding capital expenditures by a combination of lease financing, internally generated funds, and/or the proceeds received from Option and Warrant exercises.

Financing Activities

On December 22, 2000, the company entered into a Revolving Credit, Term Loan and Security Agreement ("Agreement") with PNC Bank, National Association, a national banking association ("PNC") acting as agent ("Agent") for lenders, and as issuing bank. The Agreement provides for a term loan ("Term Loan") in the amount of $7,000,000, which requires principal repayments based upon a seven-year amortization, payable over five years, with monthly installments of $83,000 and the remaining unpaid principal balance due on December 22, 2005. Payments commenced on February 1, 2001. The Agreement also provided for a revolving line of credit ("Revolving Credit") with a maximum principal amount outstanding at any one time of $15,000,000. The Revolving Credit advances are subject to limitations of an amount up to the sum of (a) up to 85% of Commercial Receivables aged 90 days or less from invoice date, (b) up to 85% of Commercial Broker Receivables aged up to 120 days from invoice date, (c) up to 85% of acceptable Government Agency Receivables aged up to 150 days from invoice date, and (d) up to 50% of acceptable unbilled amounts aged up to 60 days, less (e) reserves Agent reasonably deems proper and necessary. The Revolving Credit advances shall be due and payable in full on December 22, 2005. As of June 30, 2003, our excess availability under our revolving credit facility was $4,243,000 based on our eligible receivables.

Pursuant to the Agreement the Term Loan bears interest at a floating rate equal to the prime rate plus 1 1/2 %, and the Revolving Credit at a floating rate equal to the prime rate plus 1%. The loans are subject to a prepayment fee of 1 1/2 % in the first year, 1% in the second and third years and 3/4 % after the third anniversary until termination date.

In December 2000, the Company entered into an interest rate swap agreement related to its Term Loan. This hedge, has effectively fixed the interest rate on the notional amount of $3,500,000 of the floating rate $7,000,000 PNC Term Loan. The Company will pay the counterparty interest at a fixed rate equal to the base rate of 6.25%, for a period from December 22, 2000, through December 22, 2005, in exchange for the counterparty paying the Company one month LIBOR rate for the same term (1.12% at June 30, 2003). At June 30, 2003, the market value of the interest rate swap was in an unfavorable value position of $192,000 and was recorded as a liability. During the six months ended June 30, 2003, the Company recorded a gain on the interest rate swap of $23,000, which offset other comprehensive loss on the Statement of Stockholders' Equity.

Effective as of June 2002, the Company and PNC entered into Amendment No. 1 to the Agreement, which, among other things, increased the letter of credit commitment from $500,000 to $4,500,000 and provided for

a $4.0 million standby letter of credit. The standby Letter of Credit was issued to secure certain surety bond obligations. As a condition precedent to this Amendment No. 1, the Company paid a $50,000 amendment fee to PNC.

On May 23, 2003, the Company and PNC entered into Amendment No. 2 to the Agreement, which among other things reduced the letter of credit commitment from $4,500,000 to $500,000 and terminated the $4.0 million standby letter of credit. The standby letter of credit was previously issued to secure certain surety bond obligations, which provided financial assurance closure guarantees to the applicable states pursuant to the Company's permits and licenses. The financial assurance has been satisfied with a newly established 25-year finite risk insurance policy (see Contractual Obligations in this section). This finite risk insurance policy required an upfront payment of $4.0 million, to be funded through the Revolving Credit with PNC, utilizing the collateral that previously supported the $4.0 million letter of credit. During the second quarter of 2003, $3,300,000 was funded, and the remaining $700,000 was funded in July 2003. As a condition precedent to this Amendment No. 2, the Company paid a $25,000 amendment fee to PNC.

Pursuant to the terms of the Stock Purchase Agreements in connection with the acquisition of Perma-Fix of Orlando, Inc. ("PFO"), Perma-Fix of South Georgia, Inc. ("PFSG") and Perma-Fix of Michigan, Inc. ("PFMI"), a portion of the consideration was paid in the form of the Promissory Notes, in the aggregate amount of $4,700,000 payable to the former owners of PFO, PFSG and PFMI. The Promissory Notes are paid in equal monthly installments of principal and interest of approximately $90,000 over five years and having an interest rate of 5.5% for the first three years and 7% for the remaining two years. The aggregate outstanding balance of the Promissory Notes total $1,043,000 at June 30, 2003, which is in the current portion. Payments of such Promissory Notes are guaranteed by PFMI under a non-recourse guaranty, which non-recourse guaranty is secured by certain real estate owned by PFMI. These Promissory Notes are subject to subordination agreements with the Company's senior and subordinated lenders.

On August 31, 2000, as part of the consideration for the purchase of Diversified Scientific Services, Inc. ("DSSI"), the Company issued to Waste Management Holdings a long-term unsecured promissory note (the "Unsecured Promissory Note") in the aggregate principal amount of $3,500,000, bearing interest at a rate of 7% per annum and having a five-year term with interest to be paid annually and principal due in one lump sum at the end of the term of the Unsecured Promissory Note (August 2005).

On July 31, 2001, the Company issued approximately $5.6 million of its 13.50% Senior Subordinated Notes due July 31, 2006 (the "Notes"). The Notes were issued pursuant to the terms of a Note and Warrant Purchase Agreement, dated July 31, 2001 (the "Purchase Agreement"), between the Company, Associated Mezzanine Investors - PESI, L.P. ("AMI"), and Bridge East Capital, L.P. ("BEC"). The Notes are unsecured and are unconditionally guaranteed by the subsidiaries of the Company. The Company's payment obligations under the Notes are subordinate to the Company's payment obligations to its primary lender and to certain other debts of the Company up to an aggregate amount of $25 million. The net proceeds from the sale of the Notes were used to repay the Company's previous short-term loan.

Under the terms of the Purchase Agreement, the Company also issued to AMI and BEC Warrants to purchase up to 1,281,731 shares of the Company's Common Stock ("Warrant Shares") at an initial exercise price of $1.50 per share (the "Warrants"), subject to adjustment under certain conditions which were valued at $1,622,000 and recorded as a debt discount and are being amortized over the term of the Notes. The Warrants, as issued, also contain a cashless exercise provision. The Warrant Shares are registered under an S-3 Registration Statement that was declared effective on November 27, 2002.

In connection with the sale of the Notes, the Company, AMI, and BEC entered into an Option Agreement, dated July 31, 2001 (the "Option Agreement"). Pursuant to the Option Agreement, the Company granted each purchaser an irrevocable option requiring the Company to purchase any of the Warrants or Warrant Shares then held by the purchaser (the "Put Option"). The Put Option may be exercised at any time commencing July 31, 2004, and ending July 31, 2008. In addition, each purchaser granted to the Company an irrevocable option to purchase all the Warrants or the Warrant Shares then held by the purchaser (the "Call Option"). The

Call Option may be exercised at any time commencing July 31, 2005, and ending July 31, 2008. The purchase price under the Put Option and the Call Option is based on the quotient obtained by dividing (a) the sum of six times the

Company's consolidated EBITDA for the period of the 12 most recent consecutive months minus Net Debt plus the Warrant Proceeds by (b) the Company's Diluted Shares (as the terms EBITDA, Net Debt, Warrant Proceeds, and Diluted Shares are defined in the Option Agreement). Pursuant to the guidance under EITF 00-19 on accounting for and financial presentation of securities that could potentially be settled in a Company's own stock, the put warrants would be classified outside of equity based on the ability of the holder to require cash settlement. Also, EITF Topic D-98 discusses the accounting for a security that will become redeemable at a future determinable date and its redemption is variable. This is the case with the Warrants as the date is fixed, but the put or call price varies. The EITF gives two possible methodologies for valuing the securities. The Company accounts for the changes in redemption value as they occur and the Company adjusts the carrying value of the security to equal the redemption value at the end of each reporting period. On June 30, 2003, the Put Option had no value and no liability was recorded.

East Tennessee Materials and Energy Corporation ("M&EC") issued a promissory note for a principal amount of $3.7 million to PDC, dated June 7, 2001, for monies advanced to M&EC for certain services performed by PDC. The promissory note is payable over eight years on a semiannual basis on June 30 and December 31. Interest is accrued at the applicable rate (8.00% on June 30, 2003) and payable in one lump sum at the end of the loan period. On June 30, 2003, the outstanding balance is $4,185,000 including accrued interest of approximately $711,000. PDC has directed M&EC to make all payments under the promissory note directly to the IRS to be applied to PDC's obligations under its installment agreement with the IRS.

In conjunction with the Company's acquisition of M&EC, M&EC entered into an installment agreement with the Internal Revenue Service ("IRS") for a principal amount of $923,000 dated June 7, 2001, for certain withholding taxes owed by M&EC. The installment agreement is payable over eight years on a semiannual basis on June 30 and December 31. Interest is accrued at the applicable law rate ("Applicable Rate") pursuant to the provisions of section 6621 of the Internal Revenue Code of 1986 as amended. Such rate is adjusted on a quarterly basis and payable in lump sum at the end of the installment period. On June 30, 2003, the rate was 8%. On June 30, 2003, the outstanding balance is $1,036,000 including accrued interest of approximately $173,000.

The following table summarizes the Company's contractual obligations at June 30, 2003, and the effect such obligations are expected to have on its liquidity and cash flow in future periods, (in thousands):

		Payments due by period			
Contractual Obligations	Total	2003	2004-2006	2007-2008	After 2008
Long-term debt	$31,912	$ 1,863	$28,069	$ 1,980	$ --
Operating leases	5,198	1,134	3,545	514	5
Finite risk policy	9,747	713	3,011	2,008	4,015
Total contractual obligations	$46,857	$ 3,710	$34,625	$ 4,502	$ 4,020

In June 2003, the Company entered into a 25-year finite risk insurance policy, which provides financial assurance to the applicable states for our permitted facilities in the event of unforeseen closure. Prior to obtaining or renewing operating permits we are required to provide financial assurance that guarantee to the states that in the event of closure our permitted facilities will be closed in accordance with the regulations. The policy provides $35 million of financial assurance coverage and has available capacity to allow for annual inflation and other performance and surety bond requirements. This finite risk insurance policy required an upfront payment of $4.0 million, of which $2,766,000 represents the full premium for the 25-year term of the policy, and the remaining $1,234,000, to be deposited in a sinking fund account. During the second quarter of 2003, the Company made an initial payment of $3,300,000 and the final payment of $700,000 was recorded and paid in July 2003. Additionally, the policy requires nine annual installments of $1,004,000 that are due on the anniversary date of the policy. These annual installments will also be

deposited in the sinking fund account. In comparison, the Company paid $1,121,000 of non-commutable premiums for the year 2002 financial assurance program, along with an additional collateral requirement of $4.0 million in the form of a letter of credit issued by PNC, at an annual fee of $160,000 per year. On the fourth and subsequent anniversaries of the contract inception, the Company may elect to terminate this contract. If the Company so elects, the Insurer will pay the Company an amount equal to 100% of the sinking fund account balance in return for complete releases of liability from both the Company and any applicable regulatory agency using this policy as an instrument to comply with financial assurance requirements.

The accrued dividends on the outstanding Preferred Stock for the period July 1, 2002, through December 31, 2002, in the amount of approximately $63,000 were paid in January 2003 in the form of 25,165 shares of Common Stock of the Company. The dividends for the period January 1, 2003, through June 30, 2003, total $62,000, which will be paid in August 2003, in the form of 33,835 share of Common Stock. Under the Company's loan agreements, the Company is prohibited from paying cash dividends on its outstanding capital stock.

In summary, we have continued to take steps to improve our operations and liquidity as discussed above. However, we continue to invest our working capital back into our facilities to fund capital additions for expansion within both the nuclear and industrial segments. Also, as discussed, with the continued downturn in the economy and the impact of the war and prolonged terrorist alerts in the first six months, our liquidity was negatively impacted. However, as we move into one of our strongest periods of the year, our working capital position will begin to improve. If we are unable to continue to improve our operations, successfully finalize the surcharges on the Oak Ridge Contracts and become profitable in the foreseeable future, such would have a material adverse effect on our liquidity position.

Known Trends and Uncertainties

Seasonality. Historically the Company has experienced reduced revenues, operating losses or decreased operating profits during the first and fourth quarters of the Company's fiscal years due to a seasonal slowdown in operations from poor weather conditions and overall reduced activities during the holiday season. During the Company's second and third fiscal quarters there has historically been an increase in revenues and operating profits. Management expects this trend to continue in future years. However, the second quarter of 2003 was adversely affected by the war in Iraq, prolonged terrorism alerts and the downturn in the economy.

Economic conditions. Economic downturns or recessionary conditions can adversely affect the demand for the Company's services, principally within the Industrial Waste Management Services segment. Reductions in industrial production generally follow such economic conditions, resulting in reduced levels of waste being generated and/or sent off for treatment. The Company believes that its revenues and profits were negatively affected within this segment by the recessionary conditions in 2002, and that this trend has continued into 2003.

Significant contracts. The Company's nuclear revenues are principally derived from the Department of Defense, the Department of Energy (DOE), either directly from each DOE site individually or through the broad-spectrum contracts, nuclear utilities, pharmaceutical companies and other commercial generators. M&EC operates under three broad-spectrum contracts ("Oak Ridge Contracts"), which accounted for 20.9% and 22.8% of total consolidated revenues during the three and six months ended June 30, 2003, respectively. As the M&EC facility continues to enhance its processing capabilities and completes certain expansion projects, the Company could see higher total revenue under the Oak Ridge Contracts. In February 2003, M&EC commenced legal proceedings against the general contractor under the Oak Ridge Contracts, seeking payment from Bechtel Jacobs of approximately $4.3 million in surcharges relating to certain wastes that were treated by M&EC in 2001 and 2002 under the Oak Ridge Contracts. Bechtel Jacobs continues to deliver waste to M&EC for treatment, and M&EC continues to accept such waste. There is no guarantee of future business under the Oak Ridge Contracts, and either party may terminate the Oak Ridge Contracts at any time. Termination of these contracts could have a material adverse effect on the Company. The Company is working towards increasing other sources of revenues at M&EC to reduce the risk of reliance on one major source of revenues.

Our subsidiary, PFD, has entered into a subcontract to perform treatability studies to determine if its process can successfully and safely treat a neutralized VX gas by-product called hydrolysate generated and/or handled by the U.S. Army, and performs public outreach activities in the Dayton, Ohio area and the transportation route to PFD's Dayton, Ohio facility. The subcontract also provides, if the treatability studies are successful, for PFD to treat all or a certain portion of the hydrolysate by-product, at the option of the general contractor, subject to PFD receiving authorization from the general contractor to treat the waste. Under the terms of the subcontract, PFD is to receive approximately $1.8 million for the treatability studies; approximately $1.3 million for the public outreach activities, of which $260,000 is to be deposited in an escrow account for the exclusive use in Dayton, Ohio for public outreach activities, and approximately $10.1 million to transport and treat 30% of the hydrolysate by-product. Under the subcontract, if the treatability studies are successful, the general contractor has the option to select whether the Company will treat either 30%, 70% or 100% of the hydrolysate by-products. It is anticipated that if the general contractor determines that the Company should treat 100% of the hydrolysate by-product, the total payments to be received by the Company for transportation and treatment will be approximately $15 million. This subcontract may be terminated by the general contractor if the prime contract is terminated or at any other time upon 10 days notice.

During April 2003, certain groups filed a complaint against the EPA and U.S. Army alleging that the EPA and U.S. Army are violating a certain executive order shipping the hydrolysate by-product to PFD for processing and treating. The complainants allege that the shipment of the hydrolysate to PFD for treatment by PFD at its facility in Dayton, Ohio would be a violation of the executive order since it would have a disparate impact on the minority and low income groups who live in the vicinity of PFD's facility and that EPA is violating the executive order by failing to require PFD to have a Title V air permit. Based on studies performed by the Company, the Company does not believe that PFD is required to have a Title V air permit. These studies have been supplied to the Ohio EPA, and PFD is expecting the Ohio EPA's response to its studies in the near future. If it is determined that a Title V air permit is required at PFD, it will apply for the permit. Neither the Company nor PFD is a party to the complaint. An adverse decision as to this complaint could result in this subcontract being terminated. It is unlikely that the hydrolysate by-product will be processed at PFD, due to public acceptance issues. However, the Company is currently working with the Army on several alternatives, including the possibility of onsite treatment utilizing the Company's technologies.

A letter dated May 13, 2003, from the same counsel who filed the complaint discussed above, representing some of the same parties on whose behalf the complaint was filed, addressed to PFD, the U.S. EPA and the Ohio EPA, advised that they intend to file a citizen suit against PFD for alleged violations of the Clean Air Act and the Ohio Administration Code for allegedly not having a certain air permit, emitting odors which endanger the health, safety and welfare of the public living near the facility and failing to submit a control equipment plan. The letter advises that under the Clean Air Act, suit will be filed against PFD if within 60 days PFD fails to remedy the allegations in the letter. The Company has continued to investigate these claims. As stated above, although the Company does not believe PFD is required to have a Title V air permit, it is currently performing studies to determine if a Title V air permit is required. If a lawsuit is filed against PFD, PFD intends to vigorously defend itself.

Insurance. The Company maintains insurance coverage similar to, or greater than, the coverage maintained by other companies of the same size and industry, which complies with the requirements under applicable environmental laws. The Company evaluates its insurance policies annually to determine adequacy, cost effectiveness and desired deductible levels. Due to downturns in the economy and changes within the environmental insurance market, the Company has no guarantee that it will be able to obtain similar insurance in future years, or that the cost of such insurance will not increase materially.

Environmental Contingencies

The Company is engaged in the waste management services segment of the pollution control industry. As a participant in the on-site treatment, storage and disposal market and the off-site treatment and services market, the Company is subject to rigorous federal, state and local regulations. These regulations mandate strict compliance and therefore are a cost and concern to the Company. Because of their integral role in providing

quality environmental services, the Company makes every reasonable attempt to maintain complete compliance with these regulations. However, even with a diligent commitment, the Company, as with many of its competitors, may be required to pay fines for violations or investigate and potentially remediate its waste management facilities.

We routinely use third party disposal companies, who ultimately destroy or secure landfill residual materials generated at our facilities or at a client's site. We, compared to certain of our competitors, dispose of significantly less hazardous or industrial by-products from our operations due to rendering material nonhazardous, discharging treated wastewaters to publicly-owned treatment works and/or processing wastes into saleable products. In the past, numerous third party disposal sites have improperly managed wastes that subsequently required remedial action; consequently, any party utilizing these sites may be liable for some or all of the remedial costs. Despite our aggressive compliance and auditing procedures for disposal of wastes, we could, in the future, be notified that we are a PRP at a remedial action site, which could have a material adverse effect on the Company.

We have budgeted for 2003 approximately $982,000 in environmental expenditures to comply with federal, state and local regulations in connection with remediation of certain contaminates at four locations. The four locations where these expenditures will be made are the Leased Property in Dayton, Ohio (EPS), a former RCRA storage facility as operated by the former owners of PFD, PFM's facility in Memphis, Tennessee, PFSG's facility in Valdosta, Georgia and PFMI's facility in Detroit, Michigan. We have estimated the expenditures for 2003 to be approximately $211,000 at the EPS site, $338,000 at the PFM location, $126,000 at the PFSG site and $307,000 at the PFMI site of which $22,000; $29,000; $51,000; and $304,000, respectively, were spent during the first six months of 2003. Additional funds will be required for the next one to seven years to properly remediate these sites. We expect to fund the 2003 expenses to remediate these four sites from funds generated internally and/or our revolving credit facility.

At June 30, 2003, the Company had accrued environmental liabilities totaling $2,290,000, which reflects a decrease of $406,000 from the December 31, 2002, balance of $2,696,000. The decrease represents payments on remediation projects. The June 30, 2003, current and long-term accrued environmental balance is recorded as follows:

	PFD	PFM	PFSG	PFMI	Total
Current accrual	$189,000	$309,000	$ 75,000	$3,000	$ 576,000
Long-term accrual	--	580,000	1,134,000	--	1,714,000
Total	$189,000	$889,000	$1,209,000	$3,000	$2,290,000

Interest Rate Swap

The Company entered into an interest rate swap agreement effective December 22, 2000, to modify the interest characteristics of its outstanding debt from a floating basis to a fixed rate, thus reducing the impact of interest rate changes on future income. This agreement involves the receipt of floating rate amounts in exchange for fixed rate interest payments over the life of the agreement without an exchange of the underlying principal amount. The differential to be paid or received is accrued as interest rates change and recognized as an adjustment to interest expense related to the debt. The related amount payable to or receivable from counter parties is included in other assets or liabilities. At June 30, 2003, the market value of the interest rate swap was in an unfavorable value position of $192,000 and was recorded as a liability. During the six months ended June 30, 2003, the Company recorded a gain on the interest rate swap of $23,000 that offset other comprehensive loss in the stockholders' equity section of the balance sheet (see Note 4 to Notes to Consolidated Financial Statements).

Recent Accounting Pronouncements

In April 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. SFAS 149 amends SFAS No. 133 to provide clarification on the financial accounting and reporting of derivative instruments and hedging activities and requires that contracts with similar

characteristics be accounted for on a comparable basis. The provisions of SFAS 149 are effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. The adoption of SFAS No. 149 is not expected to have an impact on the Company's consolidated financial statements.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity. SFAS 150 establishes standards on the classification and measurement of certain financial instruments with characteristics of both liabilities and equity. The provisions of SFAS 150 are effective for financial instruments entered into or modified after May 31, 2003 and to all other instruments that exist as of the beginning of the first interim financial reporting period beginning after June 15, 2003. The adoption of SFAS 150 did not have an impact on the Company's consolidated financial statements.

Recently Adopted Accounting Policies

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 143, Accounting for Asset Retirement Obligations, which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The standard applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and normal use of the asset.

SFAS 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made, and that the associated asset retirement costs be capitalized as part of the carrying amount of the long-lived asset. In conjunction with the state mandated permit and licensing requirements, the Company is obligated to determine its best estimate of the cost to close, at some undetermined future date, its permitted and/or licensed facilities. The Company recorded this liability at the date of acquisition, with its offsetting entry being to goodwill and/or permits and has subsequently increased this liability as a result of changes to the facility and/or for inflation. The Company's current accrued closure costs reflect the current fair value of the cost of asset retirement. The Company adopted SFAS 143 as of January 1, 2003, and pursuant to the adoption the Company reclassified from goodwill and permits approximately $4,559,000, which represents the fair value of the Company's closing cost as recorded to goodwill or permits at the time each facility was acquired, into an asset retirement obligations account. The asset retirement obligation account is recorded as property and equipment (buildings). The Company will depreciate the asset retirement obligation on a straight line basis over a period of 50 years. The new standard did not have a material impact on net income in the first six months of 2003, nor would it have had a material impact in the first six months of 2002 assuming an adoption of this accounting standard on a pro forma basis.

PERMA-FIX ENVIRONMENTAL SERVICES, INC.
QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

PART I, ITEM 3

The Company is exposed to certain market risks arising from adverse changes in interest rates, primarily due to the potential effect of such changes on the Company's variable rate loan arrangements with PNC, as described under Note 4 to Notes to Consolidated Financial Statements. As discussed therein, the Company entered into an interest rate swap agreement to modify the interest characteristics of $3.5 million of its $7.0 million term loan with PNC Bank, from a floating rate basis to a fixed rate, thus reducing the impact of interest rate changes on this portion of the debt.

PERMA-FIX ENVIRONMENTAL SERVICES, INC.
CONTROLS AND PROCEDURES

PART 1, ITEM 4

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the periodic reports filed by the Company with the Securities and Exchange Commission (the "SEC") is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to the Company's management. Based on their most recent evaluation, which was completed as of the end of the period covered by this Quarterly Report on Form 10-Q, the Company's Chief Executive Officer and Chief Financial Officer believe that the Company's disclosure controls and procedures (as defined in Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934, as amended) are effective. There were no significant changes in the Company's internal controls or in other factors that could significantly affect these internal controls subsequent to the date of the most recent evaluation.

PART II - Other Information

Item 1. Legal Proceedings

There are no additional material legal proceedings pending against the Company and/or its subsidiaries not previously reported by the Company in Item 3 of its Form 10-K for the year ended December 31, 2002, or in Part II, Item 1 of its Form 10-Q for the quarter ended March 31, 2003, which Item 3, of its Form 10-K and Part II, Item 1 of its Form 10-Q are incorporated herein by reference, except as follows:

In connection with the lawsuit styled Bryson Adams, et. al. v. Environmental Purification Advancement Corporation, et. al., pending in the United Stated District Court, Western District of Louisiana, previously reported by the Company in its Form 10-Q for the first quarter of 2003, the Company's insurance carrier is defending the Company in this litigation under a reservation of rights.

Item 5. Other Information

On July 29, 2003, the Company held its annual meeting of stockholders. At the meeting the following items were approved:

- All nominees were elected to serve as directors until the next annual meeting of stockholders;
- Approved the 2003 Outside Directors Stock Plan;
- Approved the 2003 Employee Stock Purchase Plan; and
- Ratified the appointment of BDO Seidman, LLC, as the independent auditors of the Company for the fiscal year 2003.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

4.1 Loan and Security Agreement between the Company, subsidiaries of the Company and PNC Bank, incorporated by reference from Exhibit 99.1 to the Company's Form 8-K dated, January 31, 2001.

4.2 First Amendment to Loan Agreement and Consent, dated January 30, 2001, between the Company and PNC Bank, as incorporated by reference from Exhibit 99.7 to the Company's Form 8-K, dated January 31, 2001.

4.3 Amendment No. 1 to Revolving Credit, Term Loan and Security Agreement, dated as of June 10, 2002, between the Company and PNC Bank.

4.4 Amendment No. 2 to Revolving Credit, Term Loan and Security Agreement, dated as of May 23, 2003, between the Company and PNC Bank.

31.1 Certification by Dr. Louis F. Centofanti, Chief Executive Officer of the Company pursuant to Rule 13a-14(a) or 15d-14(a).

31.2 Certification by Richard T. Kelecy, Chief Financial Officer of the Company pursuant to Rule 13a-14(a) or 15d-14(a).

32.1 Certification by Dr. Louis F. Centofanti, Chief Executive Officer of the Company pursuant to 18 U.S.C. Section 1350.

32.2 Certification by Richard T. Kelecy, Chief Financial Officer of the Company pursuant to 18 U.S.C. Section 1350.

(b) Reports on Form 8-K

A current report on Form 8-K (Item 9 - Regulation FD Disclosure) was filed by the Company on May 6, 2003, regarding the financial results and conference call for the first quarter of 2003.

A current report on Form 8-K (Item 5 - Other Events and Regulation FD Disclosures) was filed by the Company on June 16, 2003, disclosing that the Company is no longer negotiating to acquire a facility.

SIGNATURES

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

PERMA-FIX ENVIRONMENTAL SERVICES, INC.

Date: August 14, 2003

By: /s/ Dr. Louis F. Centofanti

Dr. Louis F. Centofanti
Chairman of the Board Chief
Executive Officer

Date: August 14, 2003

By: /s/ Richard T. Kelecy

Richard T. Kelecy
Chief Financial Officer

EXHIBIT 4.4

AMENDMENT NO. 2

TO

REVOLVING CREDIT, TERM LOAN AND SECURITY AGREEMENT

THIS AMENDMENT NO. 2 ("Amendment") is entered into as of May__, 2003 by and among PERMA-FIX ENVIRONMENTAL SERVICES, INC., a corporation organized under the laws of the State of Delaware ("Borrower"), PNC BANK, NATIONAL ASSOCIATION ("PNC"), the various other financial institutions (together with PNC, collectively the "Lenders") named in or which hereafter become a party to the Loan Agreement (as hereafter defined) and PNC as agent for Lenders (in such capacity, "Agent") and as Issuing Bank.

BACKGROUND

Borrower, Agent and Lenders are parties to a Revolving Credit, Term Loan and Security Agreement dated as of December 22, 2000 (as amended, supplemented or otherwise modified from time to time, the "Loan Agreement") pursuant to which Lenders provides Borrower with certain financial accommodations.

Borrower has requested that Lenders amend certain provisions of the Loan Agreement and Agent, on behalf of Lenders is willing to do so on the terms and conditions hereafter set forth.

NOW, THEREFORE, in consideration of any loan or advance or grant of credit heretofore or hereafter made to or for the account of Borrower by Lenders, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Definitions. All capitalized terms not otherwise defined herein shall have the meanings given to them in the Loan Agreement.

2. Amendment to Loan Agreement. Subject to satisfaction of the conditions precedent set forth in Section 3 below, the Loan Agreement is hereby amended as follows:

(a) Section 1.2 of the Loan Agreement is hereby amended by inserting the following defined terms in their appropriate alphabetical order:

"Amendment No. 2" shall mean Amendment No. 2 to Revolving Credit, Term Loan and Security Agreement dated as of May _, 2003.

"Amendment No. 2 Effective Date" shall mean the date when the conditions of effectiveness set forth in Section 3 of Amendment No. 2 have been met to Agent's satisfaction.

(b) Section 1.2 of the Loan Agreement is hereby amended by amending the following defined terms to provide as follows:

"Amortizing Availability" shall mean $4,000,000, less $66,666.67, on the fifteenth (15th) day of each month commencing with July 15, 2003 and reducing to $0 upon the end of the Term. In the event any Equipment of East Tennessee Materials & Energy Corporation is sold on or after the Amendment No. 2 Effective Date, the Amortizing Availability shall be further reduced by the greater of (i) 75% of the fair market value of such Equipment or (ii) 45% of the liquidation in place value of such Equipment, in each case as set forth in the appraisal dated March 2, 2002 conducted by Marshall and Stevens Valuation Consulting.

"Documentary L/C" means any commercial documentary letter of credit issued by the Issuing Bank pursuant to Section 2.14.

"L/C Commitment" means the commitment of the Issuing Bank to Issue, and the commitment of the Lenders severally to participate in, Letters of Credit from time to time Issued or outstanding as provided herein, in an aggregate amount not to exceed on any date the sum of $500,000; provided that the L/C Commitment is part of the Revolving Commitment Facility, rather than a separate independent commitment.

"Letter of Credit" shall mean and include Documentary L/Cs and Standby L/Cs.

"Standby L/C" means any commercial standby letter of credit issued by the Issuing Bank pursuant to Section 2.14.

(c) Section 2.14(i)(i) of the Loan Agreement is hereby amended by amending the first sentence thereof in its entirety to provide as follows:

"Borrower shall pay to the Agent for the account of the Lenders a letter of credit fee with respect to Letters of Credit equal to the rate per annum equal to three percent (3%) per annum, (which rate shall be increased by 2% per annum at any time when an Event of Default shall have occurred and be continued) of the average daily maximum amount available to be drawn of the outstanding Letters of Credit, computed on a quarterly basis in arrears on the last Business Day of each calendar quarter based upon the applicable Letters of Credit outstanding for that quarter as calculated by Agent, such computation be made on the basis of actual days elapsed in a 360-day year."

(d) Section 2.14(k) of the Loan Agreement is hereby amended in its entirety to provide as follows:

(a) "Uniform Customs and Practice and International Standby Practices. Each Documentary L/Credit shall be subject to the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce Publication No. 500 and any amendments or revision thereof adhered to by the Issuing Bank. Each Standby L/C shall be subject to the International Standby Practices (ISP98 - International Chamber of Commerce Publication Number 590) (the "ISP98 Rules") and, as to matters not governed by the ISP98 Rules or UCP500, the laws of the State of New York."

3. Conditions of Effectiveness. This Amendment shall become effective upon satisfaction of the following conditions precedent: Agent shall have received (i) four (4) copies of this Amendment executed by Borrower and consented and agreed to by Guarantors, (ii) an amendment fee of $25,000 (which fee shall be charged to Borrower's Account), and (iii) such other certificates, instruments, documents, agreements and opinions of counsel as may be required by Agent or its counsel, each of which shall be in form and substance satisfactory to Agent and its counsel.

4. Representations and Warranties. Borrower hereby represents and warrants as follows:

(a) This Amendment and the Loan Agreement, as amended hereby, constitute legal, valid and binding obligations of Borrower and are enforceable against Borrower in accordance with their respective terms.

(b) Upon the effectiveness of this Amendment, Borrower hereby reaffirms all covenants, representations and warranties made in the Loan Agreement to the extent the same are not amended hereby and agrees that all such covenants, representations and warranties shall be deemed to have been remade as of the effective date of this Amendment, except that such representations and warranties shall be qualified by the matters set forth on Schedule A attached hereto and made a part hereof.

(c) No Event of Default or Default has occurred and is continuing or would exist after giving effect to this Amendment.

(d) Borrower has no defense, counterclaim or offset with respect to the Loan Agreement.

(e) Borrower is incorporated in the State of Delaware.

5. Effect on the Loan Agreement.

(a) Upon the effectiveness of Section 2 hereof, each reference in the Loan Agreement to "this Agreement," "hereunder," "hereof," "herein" or words of like import shall mean and be a reference to the Loan Agreement as amended hereby.

(b) Except as specifically amended herein, the Loan Agreement, and all other documents, instruments and agreements executed and/or delivered in connection therewith, shall remain in full force and effect, and are hereby ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of Agent or any Lender, nor constitute a waiver of any provision of the Loan Agreement, or any other documents, instruments or agreements executed and/or delivered under or in connection therewith.

6. Governing Law. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns and shall be governed by and construed in accordance with the laws of the State of New York.

7. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

8. Counterparts. This Amendment may be executed by the parties hereto in one or more counterparts, each of which shall be deemed an original and all of which when taken together shall constitute one and the same agreement.

IN WITNESS WHEREOF, this Amendment has been duly executed as of the day and year first written above.

PERMA-FIX ENVIRONMENTAL SERVICES, INC.

By: /s/ Richard T. Kelecy

Name: Richard T. Kelecy
Title: Vice President

PNC BANK, NATIONAL ASSOCIATION, as Agent and Lender

By: /s/ Alex M. Council IV

Name: Alex M. Council IV
Title: Vice President

[SIGNATURES CONTINUED ON FOLLOWING PAGE]

CONSENTED AND AGREED TO:

SCHREIBER, YONLEY AND ASSOCIATES, INC.

By: /s/ Richard T. Kelecy

Name: Richard T. Kelecy
Title: Vice President

PERMA-FIX TREATMENT SERVICES, INC.

By: /s/ Richard T. Kelecy

Name: Richard T. Kelecy
Title: Vice President

PERMA-FIX, INC.

By: /s/ Richard T. Kelecy

Name: Richard T. Kelecy
Title: Vice President

PERMA-FIX OF NEW MEXICO, INC.

By: /s/ Richard T. Kelecy

Name: Richard T. Kelecy
Title: Vice President

PERMA-FIX OF FLORIDA, INC.

By: /s/ Richard T. Kelecy

Name: Richard T. Kelecy
Title: Vice President

PERMA-FIX OF MEMPHIS, INC.

By: /s/ Richard T. Kelecy

Name: Richard T. Kelecy
Title: Vice President

PERMA-FIX OF DAYTON, INC.

By: /s/ Richard T. Kelecy

Name: Richard T. Kelecy

Title: Vice President

PERMA-FIX OF FT. LAUDERDALE, INC.

By: /s/ Richard T. Kelecy

Name: Richard T. Kelecy
Title: Vice President

PERMA-FIX OF ORLANDO, INC.

By: /s/ Richard T. Kelecy

Name: Richard T. Kelecy
Title: Vice President

PERMA-FIX OF SOUTH GEORGIA, INC.

By: /s/ Richard T. Kelecy

Name: Richard T. Kelecy
Title: Vice President

PERMA-FIX OF MICHIGAN, INC.

By: /s/ Richard T. Kelecy

Name: Richard T. Kelecy
Title: Vice President

DIVERSIFIED SCIENTIFIC SERVICES, INC.

By: /s/ Richard T. Kelecy

Name: Richard T. Kelecy
Title: Vice President

INDUSTRIAL WASTE MANAGEMENT, INC.

By: /s/ Richard T. Kelecy

Name: Richard T. Kelecy
Title: Vice President

MINTECH, INC.

By: /s/ Richard T. Kelecy

Name: Richard T. Kelecy
Title: Vice President

RECLAMATION SYSTEMS, INC.
By: /s/ Richard T. Kelecy

Name: Richard T. Kelecy

Title: Vice President

EAST TENNESSEE MATERIALS & ENERGY
CORPORATION

By: /s/ Richard T. Kelecy

Name: Richard T. Kelecy
Title: Vice President

EXHIBIT 31.1

CERTIFICATIONS

I, Louis F. Centofanti, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Perma-Fix Environmental Services, Inc.;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

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

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

   b) (Intentionally omitted);

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, 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 and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2003

/s/ Dr. Louis F. Centofanti

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Dr. Louis F. Centofanti
Chairman of the Board
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS

I, Richard T. Kelecy, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Perma-Fix Environmental Services, Inc.;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

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

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

    b) (Intentionally omitted);

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, 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 and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2003

/s/ Richard T. Kelecy
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Richard T. Kelecy
Chief Financial Officer

EXHIBIT 32.1

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 Quarterly Report of Perma-Fix Environmental Services, Inc. ("PESI") on Form 10-Q for the period ended June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), I Dr. Louis F. Centofanti, 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 Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. ss.78m or ss.78o(d)); and

(2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 14, 2003

/s/ Dr. Louis F. Centofanti
- ---------------------------
Dr. Louis F. Centofanti
President and
Chief Executive Officer

EXHIBIT 32.2

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 Quarterly Report of Perma-Fix Environmental Services, Inc. ("PESI") on Form 10-Q for the period ended June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), I Richard T. Kelecy, 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 Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. ss.78m or ss.78o(d)); and

(2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 14, 2003

/s/ Richard T. Kelecy
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Richard T. Kelecy
Chief Financial Officer