

=====

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

---

Form 10-Q/A  
Amendment No. 1

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended September 30, 1998

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 1-11596

---

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

Delaware 58-1954497  
(State or other jurisdiction (IRS Employer Identification  
of incorporation or organization) 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  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 November 12, 1998
_____	12,270,093
Common Stock, \$.001 Par Value	(excluding 920,000 shares held as treasury stock)

---

=====

PERMA-FIX ENVIRONMENTAL SERVICES, INC.

CONSOLIDATED FINANCIAL STATEMENTS

PART I, ITEM 1

The consolidated financial statements included herein have been prepared by the Company, without 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, 1997.

The results of operations for the nine months ended September 30, 1998, are not necessarily indicative of results to be expected for the fiscal year ending December 31, 1998.

<TABLE>

<CAPTION>

PERMA-FIX ENVIRONMENTAL SERVICES, INC.  
CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands, Except for Share Amounts)	September 30, 1998 (Unaudited)	December 31, 1997
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 827	\$ 314
Restricted cash equivalents and investments	112	321
Accounts receivable, net of allowance for doubtful accounts of \$308 and \$374, respectively	5,363	5,282
Insurance claim receivable	-	1,475
Inventories	124	119
Prepaid expenses	745	567
Other receivables	15	70
Assets of discontinued operations	471	587
Total current assets	<u>7,657</u>	<u>8,735</u>
Property and equipment:		
Buildings and land	5,714	5,533
Equipment	8,822	7,689
Vehicles	1,191	1,202
Leasehold improvements	16	16

Office furniture and equipment	968	1,056
Construction in progress	1,351	1,052
	<u>18,062</u>	<u>16,548</u>
Less accumulated depreciation	(6,284)	(5,564)
	<u>11,778</u>	<u>10,984</u>
Intangibles and other assets:		
Permits, net of accumulated amortization of \$1,021 and \$831, respectively	3,688	3,725
Goodwill, net of accumulated amortization of \$706 and \$580, respectively	4,743	4,701
Other assets	540	425
	<u>\$ 28,406</u>	<u>\$ 28,570</u>
	=====	=====

</TABLE>

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

2

<TABLE>

<CAPTION>

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

(Amounts in Thousands, Except for Share Amounts)	September 30, 1998 (Unaudited)	December 31, 1997
<S>	<C>	<C>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,852	\$ 2,263
Accrued expenses	2,897	3,380
Revolving loan and term note facility	625	614
Current portion of long-term debt	269	254
Current liabilities of discontinued operations	628	1,470
	<u>6,271</u>	<u>7,981</u>
Total current liabilities		
Environmental accruals	405	525
Accrued closure costs	856	831
Long-term debt, less current portion	2,119	3,997
Long term liabilities of discontinued operations	2,839	3,042
	<u>6,219</u>	<u>8,395</u>
Total long-term liabilities		
Commitments and contingencies (see Note 4)	-	-
Stockholders' equity:		
Preferred stock, \$.001 par value; 2,000,000 shares authorized, 9,850 and 6,850 shares issued and outstanding, respectively	-	-
Common Stock, \$.001 par value; 50,000,000 shares authorized,		

13,181,107 and 12,540,487 shares issued, including 920,000 shares held as treasury stock	13	12
Redeemable warrants	140	140
Additional paid-in capital	39,364	35,271
Accumulated deficit	(21,831)	(21,459)
	<u>17,686</u>	<u>13,964</u>
Less Common Stock in treasury at cost; 920,000 shares issued and outstanding	(1,770)	(1,770)
Total stockholders' equity	<u>15,916</u>	<u>12,194</u>
Total liabilities and stockholders' equity	\$ 28,406 =====	\$ 28,570 =====

</TABLE>

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

3

<TABLE>

<CAPTION>

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

Amounts in Thousands, Except for Share Amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	1998	1997 (1)	1998	1997 (1)
<S>	<C>	<C>	<C>	<C>
Net revenues	\$ 8,065	\$ 6,921	\$22,291	\$19,368
Cost of goods sold	5,292	4,630	15,317	13,492
Gross profit	2,773	2,291	6,974	5,876
Selling, general and admin- istrative expenses	1,708	1,347	4,942	4,072
Depreciation and amortiza- tion	531	490	1,566	1,487
Income from operations	534	454	466	317
Other income (expense):				
Interest income	10	11	27	31
Interest expense	(95)	(71)	(364)	(331)
Other	40	118	172	89
Net income from con- tinuing operations	489	512	301	106
Loss from discontinued operations	-	(355)	-	(1,308)

Net income (loss)	<u>489</u>	<u>157</u>	<u>301</u>	<u>(1,202)</u>
Preferred Stock dividends	<u>498 (2)</u>	<u>896 (2)</u>	<u>674 (2)</u>	<u>1,170 (2)</u>
Net income (loss) applicable to Common Stock	<u>\$ (9) (2)</u>	<u>\$ (739) (2)</u>	<u>\$ (373) (2)</u>	<u>\$ (2,372) (2)</u>
<hr/>				
Basic income (loss) per common share:				
Continuing operations	\$ -	\$ (.04)	\$ (.03)	\$ (.10)
Discontinued operations	-	(.03)	-	(.13)
Net income (loss) per common share	<u>\$ -</u>	<u>\$ (.07)</u>	<u>\$ (.03)</u>	<u>\$ (.23)</u>
Basic weighted average common shares out- standing	<u>\$12,164</u>	<u>11,090</u>	<u>11,947</u>	<u>10,340</u>

<FN>

- (1) Amounts have been restated from that previously reported to reflect the discontinued operations at Perma-Fix of Memphis, Inc. (See Note 2).
- (2) Amounts have been restated from that previously reported to reflect a stock dividend on Preferred Stock which is convertible at a discount from market value at the date of issuance (see Note 3).

</FN>

</TABLE>

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

4

<TABLE>

<CAPTION>

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

(Amounts in Thousands, Except for Share Amounts)	Nine Months Ended September 30,	
	<u>1998</u>	<u>1997</u>
<S>	<C>	<C>
Cash flows from operating activities:		
Net income from continuing operations	\$ 301	\$ 106
Adjustments to reconcile net loss to cash provided by operations		
Depreciation and amortization	1,566	1,487
Provision for bad debt and other reserves	30	52
Gain on sale of plant, property and equipment	(12)	(1)
Changes in assets and liabilities,		

net of effects from business acquisitions:		
Accounts receivable	(97)	(118)
Prepaid expenses, inventories and other assets	1,112	913
Accounts payable and accrued expenses	(713)	(1,748)
	<hr/>	<hr/>
Net cash provided by continuing operations	2,187	691
Net cash used by discontinued operations	(903)	(1,309)
Cash flows from investing activities:		
Purchases of property and equipment, net	(1,640)	(887)
Proceeds from sale of plant, property and equipment	14	46
Change in restricted cash, net	196	(67)
Net cash used by discontinued operations	(4)	(41)
Net cash used in investing activities	(1,434)	(949)
Cash flows from financing activities:		
Repayments of revolving loan and term note facility	(2,028)	(1,097)
Principal repayments on long-term debt	(186)	(645)
Proceeds from issuance of stock	2,915	3,380
Net cash used by discontinued operations	(52)	(6)
	<hr/>	<hr/>
Net cash provided by financing activities	649	1,632
Increase in cash and cash equivalents	499	65
Cash and cash equivalents at beginning of period, including discontinued operations of \$12 and \$8, respectively	326	45
	<hr/>	<hr/>
Cash and cash equivalents at end of period, including discontinued operations of (\$2) and (\$5), respectively	\$ 825	\$ 110

---

Supplemental disclosure:

Interest paid	\$ 455	\$ 530
Non-cash investing and financing activities:		
Issuance of Common Stock for services	230	68
Long-term debt incurred for purchase of property	330	256
Issuance of stock for payment of dividends	359	314

<FN>

\* Amounts have been restated from that previously reported to reflect the discontinued operations at Perma-Fix of Memphis, Inc. (see Note 2).

</FN>

</TABLE>

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

<TABLE>

<CAPTION>

PERMA-FIX ENVIRONMENTAL SERVICES, INC.  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
(For the nine months ended September 30, 1998)

(Amounts in Thousands, Except for Share Amounts)	Preferred Stock		Common Stock	
	Shares	Amount	Shares	Amount
<S>	<C>	<C>	<C>	<C>
Balance at December 31, 1997	6,850	-	12,540,487	\$ 12
Net income	-	-	-	-
Preferred Stock dividend	-	-	-	-
Issuance of Common Stock for Preferred Stock dividend	-	-	175,825	1
Issuance of Preferred Stock	3,000	-	-	-
Issuance of Common Stock for acquisition	-	-	108,207	-
Issuance of stock for cash and services	-	-	165,488	-
Exercise of warrants	-	-	190,100	-
Option Exercise	-	-	1,000	-
Balance at September 30, 1998	9,850	\$ -	13,181,107	\$ 13

Redeemable Warrants	Additional Paid-In Capital	Accumulated Deficit	Common Stock Held in Treasury
<C> \$ 140	<C> \$ 35,271	<C> \$ (21,459)	<C> \$ (1,770)
-	-	301	-
-	383	(673)	-
-	358	-	-
-	2,653	-	-
-	207	-	-
-	263	-	-
-	228	-	-
-	1	-	-
<u>\$ 140</u>	<u>\$ 39,364</u>	<u>\$ (21,831)</u>	<u>\$ (1,770)</u>
=====	=====	=====	=====

</TABLE>

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

6

PERMA-FIX ENVIRONMENTAL SERVICES, INC.  
Notes to Consolidated Financial Statements  
September 30, 1998  
(Unaudited)

Reference is made herein to the notes to consolidated financial statements included in the Company's Annual Report on

1. Summary of Significant Accounting Policies

The Company's accounting policies are as set forth in the notes to consolidated financial statements referred to above.

Certain amounts in prior years' consolidated financial statements have been reclassified to conform to current period financial statement presentations.

The Company considers all highly liquid investments with initial maturities of three months or less to be cash equivalents. Cash equivalents at September 30, 1998, included overnight repurchase agreements in the approximate amount of \$638,000.

Basic income (loss) per share is computed by dividing net income, after deducting Preferred Stock dividends, by the weighted average number of common shares outstanding during each period.

Diluted income/(loss) per share was not presented since the effects of potential common shares would be anti-dilutive.

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128 "Earnings Per Share" ("SFAS 128"). SFAS 128 establishes new standards for computing and presenting earnings per share ("EPS"). Specifically, SFAS 128 replaces the presentation of primary EPS with a presentation of basic EPS and requires dual presentation of basic and diluted EPS on the face of the income statement for all entities with complex capital structures. SFAS 128 also requires a reconciliation of the numerator and denominator of the basic EPS computation to the numerator and denominator of the diluted EPS computation. SFAS 128 was adopted effective December 31, 1997.

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income," ("FAS 130") and No. 131, "Disclosure about Segments of an Enterprise and Related Information," ("FAS 131"). FAS 130 establishes standards for reporting and displaying comprehensive income, its components and accumulated balances. FAS 131 establishes standards for the way that public companies report information about operating segments in annual financial statements and requires reporting of selected information about operating segments in interim financial statements issued to the public. Both FAS 130 and FAS 131 are effective for periods beginning after December 15, 1997, and must be adopted by the Company by December 31, 1998. FAS 130 has no effect on the Company's financial statements. The Company has not yet adopted FAS 131. However, the Company has provided, for informational purposes only, additional segment information in Note 5 in a format similar to that previously provided in the Form 10-K.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (FAS 133). FAS 133 requires companies to recognize all derivative contracts as either assets or liabilities in the balance sheet and to measure them at fair value. FAS 133 is effective for periods beginning after June 15, 1999. Historically, the Company has not entered into derivative contracts. Accordingly, FAS 133 is not expected to affect the Company's financial statements.



## 2. Discontinued Operations

On January 27, 1997, an explosion and resulting tank fire occurred at the Company's subsidiary, Perma-Fix of Memphis, Inc. ("PFM"), a hazardous waste storage, processing and blending facility, located in Memphis, Tennessee, which resulted in damage to certain hazardous waste storage tanks located on the facility and caused certain limited contamination at the facility. Such occurrence was caused by welding activity performed by employees of an independent contractor at or near the facility's hazardous waste tank farm contrary to instructions by PFM. The facility was non-operational from the date of this event until May 1997, at which time it began limited operations. Until the time of the incident, PFM operated as a permitted "fuel blending" facility and serviced a separate class of customers who generated specific waste streams, each identified by its waste code and specific characteristics. As the Company's only such "fuel blending" facility, PFM was permitted to and capable of mixing certain hazardous liquid, semi-solid and solid waste in a vat which suspended the solids in order to pump the mixture into a tank. The tanks also contained mixing units which kept the solids suspended until the mixture could be off-loaded into tanker trucks. As a result of the damage to the tanks and processing equipment and the related cost to rebuild this operating unit, the Company decided to discontinue this line of business, which resulted in PFM's inability to service and retain the existing customer base. The existing customer base represented principally manufacturing and service companies whose operations generated certain semi-solid and solid permitted hazardous wastes, which as a result of permit and processing limitations could not be served by other Company facilities. The Company continues to pursue other markets or activities which may be performed at this facility given the permit limitations, capital requirements and development of a new line of business and related customer base. Upon evaluation of the above business decision, and given the loss of both the existing line of business and its related customer base, the Company reported the Memphis segment as a discontinued operation, pursuant to Paragraph 13 of APB 30.

The fuel blending activities were discontinued on the date of the incident, January 27, 1997. All assets involved in the fuel blending activities that were not damaged beyond repair in the fire have subsequently been damaged as a result of the decontamination process. Accordingly, during the fourth quarter of 1997, the Company recorded a loss on disposal of discontinued operations of \$3,053,000, which included \$1,272,000 for impairment of certain assets and \$1,781,000 for the establishment of certain closure liabilities.

The net loss from discontinued PFM operations for the nine months ended September 30, 1998, was \$378,000 and was recorded against the accrued closure cost estimate on the balance sheet. The net loss for the nine months ended September 30, 1997, was \$1,308,000 and is shown separately in the Consolidated Statements of Operations. The Company has restated the 1997 operating results to reflect these discontinued operations. The results of the discontinued PFM operations do not reflect management fees charged by the Company, but do include interest expense of \$54,000 and \$180,000 during the nine months ended September 30, 1998 and 1997, respectively, specifically identified to such operations as a result of such operations incurring debt under the Company's revolving and term loan credit facility. During March 1998, the Company received a settlement in the amount of \$1,475,000 from its insurance carrier for the business interruption claim which was recorded as an insurance claim receivable at December 31, 1997. This settlement was recognized as a gain in 1997 and thereby reduced the net loss recorded for the discontinued PFM operations in 1997.

Revenues of the discontinued PFM operations were \$794,000 for the nine months ended September 30, 1998, and \$1,514,000 for the nine months

ended September 30, 1997. These revenues are not included in revenues as reported in the Consolidated Statements of Operation.

<TABLE>

<CAPTION>

Net assets and liabilities of the discontinued PFM operations at the nine months ended September 30, 1998, and December 31, 1997, in thousands of dollars, consisted of the following:

8

	September 30, 1998	December 31, 1997
<S>	<C>	<C>
Assets of discontinued operations:		
Cash and cash equivalents	\$ (2)	\$ 12
Restricted cash equivalents and investments	218	214
Accounts receivable, net of allowance for doubtful accounts \$101 and \$105, respectively	241	333
Prepaid expenses and other assets	14	28
	<u>\$ 471</u>	<u>\$ 587</u>
	=====	=====
Current liabilities of discontinued operations:		
Accounts payable	\$ 225	\$ 277
Accrued expenses	134	259
Accrued environmental costs	227	835
Current portion of long-term debt	42	99
	<u>\$ 628</u>	<u>\$ 1,470</u>
	=====	=====
Long-term liabilities of discontinued operations:		
Long-term debt, less current portion	\$ 7	\$ 17
Accrued environmental and closure costs	2,832	3,025
	<u>\$ 2,839</u>	<u>\$ 3,042</u>
	=====	=====

</TABLE>

The accrued environmental and closure costs, as related to PFM, total \$3,059,000 at September 30, 1998, which includes the Company's current closure cost estimate of approximately \$700,000 for the complete cessation of operations and closure of the facility ("RCRA Closure") based upon guidelines of the Resource Conservation and Recovery Act of 1976, as amended ("RCRA"). A majority of this liability relates to the discontinued fuel blending and tank farm operations and will be recognized over the next three years. Also included in this accrual is the Company's estimate of the cost to complete groundwater remediation at the site of approximately \$916,000, the future operating losses as the Company discontinues its fuel blending operations and certain other contingent liabilities.

### 3. Restatement of 1997 and 1998 Stockholders' Equity

In March 1997, the Securities and Exchange Commission Staff (the "Staff") announced its position on accounting for Preferred Stock which is or may be convertible into Common Stock at a discount from the market rate at the date of issuance. The Staff's position pursuant to Emergency Issues Task Force ("EITF") D-60 is that a Preferred Stock dividend should be recorded for the difference between the conversion price and the quoted market price of Common Stock as determined at the date of issuance. Pursuant to EITF D-60

and EITF D-42, the Company restated its 1997 consolidated financial statements to reflect a dividend of approximately \$713,000 related to the fiscal 1997 sales and subsequent exchanges of Convertible Preferred Stock (\$111,000 related to the second quarter of 1997 and \$602,000 related to the third quarter of 1998) and a dividend of approximately \$195,000 (third quarter of 1997) related to the various warrants issued in conjunction with the Convertible Preferred Stock, as further discussed in Note 6 (Series 4 Class D, Series 5 Class E, Series 6 Class F, and Series 7 Class G Preferred Stock). Pursuant to EITF D-60 and EITF D-42, the Company restated its 1998 consolidated financial statements to reflect a dividend of approximately \$383,000 related to the fiscal 1998 sale of the Series 10 Class J Convertible Preferred Stock (Series 10 Preferred) discussed in Note 7. The total dividend to be recognized for the Series 10 Preferred will be approximately \$750,000, with the remaining \$367,000 to be recognized in the fourth quarter of 1998. The impact of the restatements on the basic income (loss) per common share is shown as follows:

<TABLE>

<CAPTION>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1998	1997	1998	1997
<S>	<C>	<C>	<C>	<C>
Basic Income (Loss) Per Common Share as Originally Reported	\$ .03	\$ .01	\$ -	\$ (.14)
Basic Loss Per Common Share as Amended	\$ -	\$ (.07)	\$ (.03)	\$ (.23)

</TABLE>

9

#### 4. Long-Term Debt

<TABLE>

<CAPTION>

Long-term debt consists of the following at September 30, 1998, and December 31, 1997 (in thousands):

	September 30, 1998	December 31, 1997
<S>	<C>	<C>
Revolving loan facility dated January 15, 1998, collateralized by eligible accounts receivables, subject to monthly borrowing base calculation, variable interest paid monthly at prime rate plus 1 3/4%	\$ 52	\$ 1,664
Term loan agreement dated January 15, 1998, payable in monthly principal installments of \$52, balance due in January 2001, variable interest paid monthly at prime rate plus 1 3/4%.	2,083	2,500
Mortgage note agreement payable in quarterly installments of \$15, plus accrued interest at 10%. Balance due October 1998 secured by real property.	-	61
Various capital lease and promissory note obligations, payable 1998 to 2002, interest at rates ranging from 8.0% to 15.9%.	878	640

	3,013	4,865
Less current portion of revolving loan and term note facility	625	614
Less current portion of long-term debt	269	254
	<u>\$ 2,119</u>	<u>\$ 3,997</u>
	=====	=====

</TABLE>

On January 15, 1998, the Company, as parent and guarantor, and all direct and indirect subsidiaries of the Company, as co-borrowers and cross-guarantors, entered into a Loan and Security Agreement ("Agreement") with Congress Financial Corporation (Florida) as lender ("Congress"). The Agreement provides for a term loan in the amount of \$2,500,000, which requires principal repayments based on a four-year level principal amortization over a term of 36 months, with monthly principal payments of \$52,000. Payments commenced on February 1, 1998, with a final balloon payment in the amount of approximately \$573,000 due on January 14, 2001. The Agreement also provides for a revolving loan facility in the amount of \$4,500,000. At any point in time the aggregate available borrowings under the facility are subject to the maximum credit availability as determined through a monthly borrowing base calculation, as updated for certain information on a weekly basis, equal to 80% of eligible accounts receivable accounts of the Company as defined in the Agreement. The termination date on the revolving loan facility is also the third anniversary of the closing date. The Company incurred approximately \$237,000 in financing fees relative to the solicitation and closing of this loan agreement (principally commitment, legal and closing fees) which are being amortized over the term of the Agreement.

Pursuant to the Agreement, the term loan and revolving loan both bear interest at a floating rate equal to the prime rate plus 1 3/4%. The Agreement also provides for a one time rate adjustment of 1/4%, subject to the Company meeting certain 1998 performance objectives. The loans also contain certain closing, management and unused line fees payable throughout the term. The loans are subject to a 3.0% prepayment fee in the first year, 1.5% in the second and 1.0% in the third year of the Agreement.

As security for the payment and performance of the Agreement, the Company granted a first security interest in all accounts receivable, inventory, general intangibles, equipment and other assets of the Company and subsidiaries, as well as the mortgage on two (2) of the Company's facilities. The Agreement contains affirmative covenants including, but not limited to, certain financial statement disclosures and certifications, management reports, maintenance of insurance and collateral. The Agreement also contains an adjusted net worth financial covenant, as defined in the Agreement, of \$3,000,000.

10

As of September 30, 1998, the borrowings under the Congress revolving loan facility totaled \$52,000, with borrowing availability of approximately \$3,538,000. The balance under the Congress term loan at September 30, 1998, was \$2,083,000.

During June 1998, the Company entered into a master security agreement and secured promissory note in the amount of approximately \$317,000 for the purchase and financing of certain capital equipment at the Perma-Fix of Florida, Inc. facility. The term of the promissory note is for sixty (60) months, at a rate of 11.58% per annum and monthly installments of approximately \$7,000.

As further discussed in Note 2, the long-term debt associated with the discontinued PFM operation is excluded from the above and is recorded in the Liabilities of Discontinued Operations total. The PFM debt obligations total \$49,000, of which \$42,000 is current.

## 5. Commitments and Contingencies

## Hazardous Waste

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

## Legal

In the normal course of conducting its business, the Company is involved in various litigation. There has been no material changes in legal proceedings from those disclosed previously in the Company's Form 10-K for year ended December 31, 1997, except as disclosed below. The Company is not a party to any litigation or governmental proceeding which its management believes could result in any judgements or fines against it that would have a material adverse affect on the Company's financial position, liquidity or results of operations, other than as disclosed in the Company's Form 10-K.

As previously disclosed in the Form 10-K, the Company received correspondence dated January 15, 1998 ("PRP Letter"), from the United States Environmental Protection Agency ("EPA") that it believes that PFM, a wholly owned subsidiary of the Company, is a potentially responsible party ("PRP"), as defined under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), regarding the remediation of the W. & R. Drum, Inc. ("Drum") site in Memphis, Tennessee, ("Drum Site"), primarily as a result of acts by a predecessor of PFM prior to the time PFM was acquired by the Company. In addition, the EPA has advised PFM that it has sent PRP letters to approximately 50 other PRPs as to the Drum Site. The PRP Letter estimated the remediation costs incurred by the EPA for the Drum Site to be approximately \$1,400,000 as of November 30, 1997. The EPA has orally informed the Company that such remediation has been substantially completed as of such date, and that the EPA believes that PFM supplied a substantial amount of the drums at the Drum Site. During the second quarter of 1998, PFM and certain other PRPs began negotiating with the EPA regarding a potential settlement of the EPA's claims regarding the Drum Site and such negotiations are currently continuing. During the third quarter of 1998, the Company extended an offer of \$225,000 (\$150,000 payable at closing and the balance payable over a twelve month period) to settle any potential liability regarding the Drum Site. Based upon discussions with government officials, the Company believes the settlement offer will be accepted, however, no assurance can be made that the Company's current settlement offer will be accepted or that the Company will be able to settle its claims regarding the Drum Site in an amount and manner which the Company believes is reasonable. If PFM cannot reach a settlement which PFM believes is reasonable, it will continue to vigorously defend against the EPA's demand regarding remediation costs of the Drum Site. If PFM is determined to be liable for a substantial portion of the remediation cost incurred by the EPA at the Drum Site, such could have a material adverse effect on the Company.

## Permits

The Company is subject to various regulatory requirements, including the procurement of requisite licenses and permits at its facilities. These licenses and permits are subject to periodic renewal without which the Company's operations would be adversely affected. The Company anticipates 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

The Company maintains closure cost funds to insure the proper

decommissioning of its RCRA facilities upon cessation of operations. Additionally, in the course of owning and operating on-site treatment, storage and disposal facilities, the Company is 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 the Company maintains the appropriate accruals for restoration. The Company has recorded accrued liabilities for estimated closure costs and identified environmental remediation costs.

#### Discontinued Operations

As previously discussed, the Company made the strategic decision in February 1998 to discontinue its fuel blending operations at the PFM facility. The Company has, based upon the best estimates available, recognized accrued environmental and closure costs in the aggregate amount of \$3,059,000. This liability includes principally, the RCRA closure liability, the groundwater remediation liability, the potential additional site investigation and remedial activity which may arise as PFM proceeds with its closure activities and the Company's best estimate of the future operating losses as the Company discontinues its fuel blending operations and other contingent liabilities.

#### Insurance

The business of the Company exposes it to various risks, including claims for causing damage to property or injuries to persons or claims alleging negligence or professional errors or omissions in the performance of its services, which claims could be substantial. The Company carries general liability insurance which provides coverage in the aggregate amount of \$2 million and an additional \$6 million excess umbrella policy and carries \$2 million per occurrence and \$4 million annual aggregate of errors and omissions/professional liability insurance coverage, which includes pollution control coverage.

The Company also carries specific pollution liability insurance for operations involved in the Waste Management Services segment. The Company believes that this coverage, combined with its various other insurance policies, is adequate to insure the Company against the various types of risks encountered.

#### 6. Business Segment Information

As discussed in Note 1, in June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 131 ("FAS 131") "Disclosure about Segments of an Enterprise and Related Information." FAS 131 is effective for periods beginning after December 15, 1997, and must be adopted by the Company by December 31, 1998. The Company has not yet adopted FAS 131. However, the Company has provided, for informational purposes only, additional segment information in a format similar to that previously provided in the Form 10-K.

The Company provides services through two business segments. The Waste Management Services segment, which provides on-and-off-site treatment, storage, processing and disposal of hazardous and non-hazardous industrial and commercial, mixed waste, and wastewater through its five treatment, storage and disposal facilities ("TSD facilities"); Perma-Fix Treatment Services, Inc. ("PFTS"), Perma-Fix of Dayton, Inc. ("PFD"), Perma-Fix of Ft. Lauderdale, Inc. ("PFFL"), Perma-Fix of Florida, Inc. ("PFF") and PFM. The Company has discontinued all fuel blending activities at its PFM facility, the principal business segment for this subsidiary prior to the January 1997 fire and explosion. PFM currently provides, on a limited basis, an off-site waste storage and transfer facility and continues to explore other new markets for utilization of this facility. The Company also provides through this segment: (i) on-site waste

treatment services to convert certain types of characteristic hazardous wastes into non-hazardous waste; and (ii) the supply and management of non-hazardous and hazardous waste to be used by cement plants as a substitute fuel or raw

material source.

The Company also provides services through the Consulting Engineering Services segment. The Company provides environmental engineering and regulatory compliance consulting services through Schreiber, Yonley & Associates in St. Louis, Missouri, and Mintech, Inc. in Tulsa, Oklahoma. These engineering groups provide oversight management of environmental restoration projects, air and soil sampling and compliance reporting, surface and subsurface water treatment design for removal of pollutants, and various compliance and training activities.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance based on profit or loss from continuing operations.

The Company accounts for inter-company sales as a reduction of "cost of goods sold" and therefore such inter-company sales are not included in the consolidated revenue total.

The Company's segments are not dependent upon a single customer, or a few customers, and the loss of any one or more of which would not have a material adverse effect on the Company's segment. During the nine months ended September 30, 1998 and 1997, the Company did not make sales to any single customer that in the aggregate amount represented more than ten percent (10%) of the Company's segment revenues.

<TABLE>

<CAPTION>

The table below shows certain financial information by the Company's segments for nine months ended September 30, 1998 and 1997 and excludes the results of operations of the discontinued operations. Income (loss) from operations includes revenues less operating costs and expenses. Marketing, general and administrative expenses of the corporate headquarters have not been allocated to the segments. Identifiable assets are those used in the operations of each business segment, including intangible assets and discontinued operations. Corporate assets are principally cash, cash equivalents and certain other assets.

Dollars in thousands	Waste Management Services	Consulting Engineering Services	Corporate and Other	Consolidated
<S>	<C>	<C>	<C>	<C>
1998				
Net revenues from				
external customers	\$ 19,102	\$ 3,189	\$ -	\$ 22,291
Inter-company revenues	269	395	-	664
Interest income	26	-	1	27
Interest expense	308	39	17	364
Depreciation and amortization	1,495	59	12	1,566
Income (Loss) from continuing operations	1,320	91	(1,110)	301
Identifiable assets	11,080	1,845	15,481	28,406
Capital expenditures, net	1,916	12	42	1,970
1997				
Net revenues from				
external customers	\$ 15,776	\$ 3,592	\$ -	\$ 19,368
Inter-company revenues	834	361	-	1,195
Interest income	29	-	2	31
Interest expense	278	20	33	331
Depreciation and amortization	1,385	86	16	1,487

Income (Loss) from				
continuing operations	1,055	33	(982)	106
Identifiable assets	16,211	2,225	12,879	31,315
Capital expenditures,				
net	1,122	21	-	1,143

</TABLE>

7. Stock Issuance

On or about June 30, 1998, the Company issued to RBB Bank Aktiengesellschaft, located in Graz, Austria ("RBB Bank"), 3,000 shares of newly-created Series 10 Class J Convertible Preferred Stock, par value \$.001 per share ("Series 10 Preferred"), at a price of \$1,000 per share, for an aggregate sales price of \$3,000,000. The sale to RBB Bank was made in a private placement under Section 4(2) of the Securities Act of 1933, as amended (the "Act") and/or Rule 506 of Regulation D under the Act, pursuant to the terms of a Subscription and Purchase Agreement, dated June 30, 1998 between the Company and RBB Bank ("Subscription Agreement"). The net proceeds of \$2,768,000 from this private placement, after the deduction for certain fees and expenses, was received by the Company on July 14, 1998, and has been recorded as a Preferred Stock Receivable at June 30, 1998. The Company also accrued at June 30, 1998, approximately \$115,000 for certain additional closing, legal and related expenses. The Series 10 Preferred has a liquidation preference over the Company's Common Stock, par value \$.001 per share ("Common Stock"), equal to \$1,000 consideration per outstanding share of Series 10 Preferred (the "Liquidation Value"), plus an amount equal to all unpaid and accrued dividends thereon. The Series 10 Preferred accrues dividends on a cumulative basis at a rate of four percent (4%) per annum of the Liquidation Value ("Dividend Rate"), and is payable semi-annually within ten (10) business days after each subsequent June 30 and December 31 (each a "Dividend Declaration Date"), and shall be payable in cash or shares of the Company's Common Stock at the Company's option. The first Dividend Declaration Date shall be December 31, 1998. No dividends or other distributions may be paid or declared or set aside for payment on the Company's Common Stock until all accrued and unpaid dividends on all outstanding shares of Series 10 Preferred have been paid or set aside for payment. Dividends may be paid, at the option of the Company, in the form of cash or Common Stock of the Company. If the Company pays dividends in Common Stock, such is payable in the number of shares of Common Stock equal to the product of (a) the quotient of (i) the Dividend Rate divided by (ii) the average of the closing bid quotation of the Common Stock as reported on the NASDAQ for the five trading days immediate prior to the date the dividend is declared, times (b) a fraction, the numerator of which is the number of days elapsed during the period for which the dividend is to be paid and the denominator of which is 365.

The holder of the Series 10 Preferred may convert into Common Stock any or all of the Series 10 Preferred on and after 180 days after June 30, 1998 (December 28, 1998). The conversion price per outstanding share of Preferred Stock ("Conversion Price") is \$1.875; except that if the average of the closing bid price per share of Common Stock quoted on the NASDAQ (or the closing bid price of the Common Stock as quoted on the national securities exchange if the Common Stock is not listed for trading on the NASDAQ but is listed for trading on a national securities exchange) for the five (5) trading days immediately prior to the particular date on which the holder notified the Company of a conversion ("Conversion Date") is less than \$2.34, then the Conversion Price



for that particular conversion shall be eighty percent (80 %) of the average of the closing bid price of the Common Stock on the NASDAQ (or if the Common Stock is not listed for trading on the NASDAQ but is listed for trading on a national securities exchange then eighty percent (80%) of the average of the closing bid price of the Common Stock on the national securities exchange) for the five (5) trading days immediately prior to the particular Conversion Date. As of June 30, 1998, the closing price of Common Stock on the NASDAQ was \$1.875 per share.

As part of the of the sale of the Series 10 Preferred, the Company also issued to RBB Bank (a) a warrant entitling the holder to purchase up to an aggregate of 150,000 shares of Common Stock at an exercise price of \$2.50 per share of Common Stock expiring three (3) years after June 30, 1998 and (b) a warrant entitling the holder to purchase up to an aggregate of 200,000 shares of Common Stock at an exercise price of \$1.875 per share of Common Stock and expiring three (3) years after June 30, 1998. Collectively, these warrants are referred to herein as the "RBB Warrants." The Common Stock issuable upon the conversion of the Series 10 Preferred and upon the exercise of the RBB Warrants is subject to certain registration rights pursuant to the Subscription Agreement.

14

The Company utilized the proceeds received on the sale of Series 10 Preferred for working capital and to reduce the outstanding balance of its credit facilities, subject to the Company reborrowing under such credit facilities.

In connection with the placement of Series 10 Preferred to RBB Bank, the Company paid fees (excluding legal and accounting) of \$210,000 and issued to (a) Liviakis Financial Communications, Inc. ("Liviakis") for assistance with the placement of the Series 10 Preferred, warrants entitling the holder to purchase up to an aggregate of 1,875,000 shares of Common Stock, subject to certain anti-dilution provisions, at an exercise price of \$1.875 per share of Common Stock which warrants may be exercised after January 15, 1999, and which expire after four (4) years; (b) Robert B. Prag, an executive officer of Liviakis for assistance with the placement of the Series 10 Preferred, warrants entitling the holder to purchase up to an aggregate of 625,000 shares of Common Stock, subject to certain anti-dilution provisions, at an exercise price of \$1.875 per share of Common Stock, which warrants may be exercised after January 15, 1999, and which expire after four (4) years; (c) JW Genesis Financial Corporation for assistance with the placement of the Series 10 Preferred, warrants entitling the holder to purchase up to an aggregate of 150,000 shares of Common Stock, subject to certain anti-dilution provisions, at an exercise price of \$1.875 per share of Common Stock, which warrants expire after three (3) years; and (d) Fontenoy Investments for assistance with the placement of the Series 10 Preferred, warrants entitling the holder to purchase up to an aggregate of 350,000 shares of Common Stock, subject to certain anti-dilution provisions, at an exercise price of \$1.875 per share of Common Stock, which warrants expire after three (3) years. Under the terms of each warrant, the holder is entitled to certain registration rights with respect to the shares of Common Stock issuable on the exercise of each warrant.

As further discussed in Note 3, the Securities and Exchange Commission Staff (the "Staff") announced its position on the accounting for Preferred Stock which is convertible into Common Stock at a discount from the market rate at the date of issuance,

in March of 1997. The Staff's position pursuant to EITF D-60 relating to beneficial conversion features is that a Preferred Stock dividend should be recorded for the difference between the conversion price and the quoted market price of Common Stock as determined at the date of issuance. To comply with this position, the Company recognized a dividend in the third quarter 1998 of approximately \$383,000 as related to the above discussed Series 10 Preferred.

The total dividend to be recognized for the Series 10 Preferred will be approximately \$750,000, with the remaining \$367,000 to be recognized in the fourth quarter of 1998.

#### 8. Subsequent Events

During October 1998, the Company entered into a master security agreement and secured promissory note in the amount of approximately \$207,000 for the purchase and financing of certain capital equipment at the Perma-Fix of Florida, Inc., Perma-Fix of Ft. Lauderdale, Inc. and Perma-Fix of Dayton, Inc. facilities. The term of the promissory note is for sixty (60) months, at a rate of 10.52% per annum and monthly installments of approximately \$4,000.

On October 14, 1998, the Board of Directors authorized the repurchase of up to 500,000 shares of the Company's Common Stock from time to time in open market or privately negotiated transactions, in accordance with SEC Rule 10b-18. The repurchases will be at prevailing market prices. The Company will utilize its current working capital and available borrowings to acquire such shares.

During November 1998, the Company signed a letter of intent ("Letter") with the shareholders of Chemical Conservation Corporation (Florida), Chemical Conservation of Georgia, Inc. (Collectively, "Chem-Con") and Chem-Met Services, Inc. ("Chem-Met") regarding a potential acquisition of Chem-Con and Chem-Met by the Company (the "Acquisition"). Chem-Con and Chem-Met generate, on a consolidated basis, approximately \$24 million in revenue, resulting principally from the collection, treatment, and recycling of industrial and hazardous waste, including waste oils, water and miscellaneous solid waste. Chem-Met Services, Inc. treats and stabilizes inorganic wastes, Chemical Conservation Corporation runs a Part B-permitted transfer station that also serves as the base for the private trucking fleet, and Chemical Conservation of

15

Georgia, Inc. recycles solvents and treats hazardous waste. Pursuant to the terms of the Letter, the aggregate purchase price for the Acquisition is to be approximately \$7.4 million, payable in Common Stock of the Company based upon the closing price of the Common Stock on the NASDAQ for the five trading days preceding the closing date. The Company will also enter into a four (4) year consulting agreement with a certain executive manager of Chem-Con and Chem-Met in the approximate aggregate amount of \$1.3 million. The Acquisition is subject to the ability of the parties to, among other things:

- \* finalize definitive documents satisfactory to all parties;
- \* qualify the Acquisition as a pooling of interest transaction, which means that the merged companies will be treated as if they had always been combined for accounting and financial reporting purposes;
- \* resolve certain issues regarding real property used by

Chem-Con and Chem-Met;

- \* resolve and quantify certain potential environmental liabilities of Chem-Con and Chem-Met;
- \* resolve certain tax treatment issues;
- \* complete due diligence in a satisfactory manner; and
- \* obtain approval of the Company's shareholders.

No assurance can be made that the Acquisition will occur.

16

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 with 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 statements 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. In addition, forward-looking statements contained herein relate to, among other things, (i) anticipated financial performance, (ii) ability to comply with the Company's general working capital requirements, (iii) 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 facility in Memphis, Tennessee, (iv) ability to remediate certain contaminated sites for projected amounts, (v) "Year 2000" computer issues, (vi) the government's acceptance of the Company's offer regarding settlement of claims involving the Drum Site (as defined), (vii) acquisition of Chem-Met and Chem-Con (as defined), (viii) the Oak Ridge Contracts (as defined), (ix) anticipated revenues from the Oak Ridge Contracts and completion of the scope of work with M&EC (as defined), and all other statements which are not statements of historical fact. 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, (i) general economic conditions, (ii) inability to maintain profitability, (iii) material reduction in revenues, (iv) inability to collect in a timely manner a material amount of receivables, (v) increased competitive pressures, (vi) the inability to maintain and obtain required permits and approvals to conduct operations, (vii) the inability to develop new and existing technologies in the

conduct of operations, (viii) overcapacity in the environmental industry, (ix) discovery of additional contamination or expanded contamination at a certain Dayton, Ohio, property formerly leased by the Company or the Company's facility at Memphis, Tennessee, which would result in a material increase in remediation expenditures, (x) changes in federal, state and local laws and regulations, especially environmental regulations, or interpretation of such, (xi) potential increases in equipment, maintenance, operating or labor costs, (xii) management retention and development, (xiii) the requirement to use internally generated funds for purposes not presently anticipated, (xiv) inability to settle on reasonable terms certain claims made by the federal government against a certain subsidiary of the Company that is a potentially responsible party for clean up costs incurred by the government in remediating certain sites owned and operated by others and (xv) inability or failure to convert the computer systems of the Company's key suppliers, customers, creditors and financial services organizations, in order to be "Year 2000" compliant, (xvi) inability to complete acquisitions of Chem-Met and Chem-Con because of failure to comply with one or more of the conditions precedent to the acquisition, (xvii) inability of the Company and M&EC to finalize the scope of work documents relating to the Oak Ridge Contracts, (xviii) inability of the Company and M&EC to design and construct the required processing equipment in connection with the Oak Ridge Contracts, (xix) the actual volume of waste to be received under the Oak Ridge Contracts will not meet the expected totals as presented by the DOE (as defined), (xx) a determination that the amount of work to be performed by the Company under the Oak Ridge Contracts is less than anticipated, and (xxi) the inability of the Company to perform the work assigned to it under the Oak Ridge Contracts in a profitable manner. The Company undertakes no obligations to update publicly any forward-looking statement, whether as a result of new information, future events or otherwise.

17

Results of Operations

<TABLE>

<CAPTION>

The table below should be used when reviewing management's discussion and analysis for the three and nine months ended September 30, 1998 and 1997:

Consolidated	Three Months Ended September 30			
	1998	%	1997(1)	%
<S>	<C>	<C>	<C>	<C>
Net Revenues	\$8,065	100.0	\$ 6,921	100.0
Cost of Goods Sold	5,292	65.6	4,630	66.9
Gross Profit	2,773	34.4	2,291	33.1
Selling, General & Administrative	1,708	21.2	1,347	19.5
Depreciation/ Amortization	\$ 531	6.6	\$ 490	7.1
Income (Loss) from Operations	\$ 534	6.6	\$ 454	6.5
	=====	=====	=====	=====

Loss from discontinued Operations	\$ -	-	\$ (355)	(5.1)
Interest Expense	(95)	(1.2)	(71)	(1.0)
Preferred Stock Dividends	(498) (2)	(6.2)	(896) (2)	(12.9)

Nine Months Ended  
September 30

1998	%	1997 (1)	%
<C>	<C>	<C>	<C>
\$22,291	100.0	\$19,368	100.0
15,317	68.7	13,492	69.7
6,974	31.3	5,876	30.3
4,942	22.2	4,072	21.0
\$ 1,566	7.0	\$ 1,487	7.7
\$ 466	2.1	\$ 317	1.6
=====	=====	=====	=====
\$ -	-	\$ (1,308)	(6.8)
(364)	(1.6)	(331)	(1.7)
(674) (2)	(3.0)	(1,170) (2)	(6.0)

<FN>

- (1) Amounts have been restated from that previously reported to reflect the discontinued operations at PFM (see Note 2).
- (2) Amounts have been restated from that previously reported to reflect a stock dividend on Preferred Stock which is convertible at a discount from market value at the date of issuance (see Note 3).

</FN>

</TABLE>

Summary Three and Nine Months Ended September 30, 1998 and 1997

The Company provides services through two business segments. The 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 mixed hazardous and low level radioactive 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 located throughout the continental United States. 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 Company's Consulting Engineering segment provides a wide variety of environmental related consulting and engineering services to industry and government. Through the Company's wholly-owned subsidiaries in Tulsa, Oklahoma and St. Louis, Missouri, the

Consulting Engineering 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.

Consolidated net revenues increased \$1,144,000 for the quarter ended September 30, 1998, as compared to the quarter ended September 30, 1997. This increase of 16.5% is attributable to the Waste Management Services segment which experienced an increase in revenues of \$1,278,000, partially offset by a decrease in revenues from the Consulting Engineering segment. The increase in the Waste Management Services segment is the result of the growth in the wastewater and mixed waste markets. The most significant increases occurred at the PFF facility, which recognized a \$783,000 increase resulting principally from the completion of various mixed waste contracts, the PFTS facility, which recognized a \$260,000 increase due to the increased processing capacities at this facility, and the

18

PFFL facility, which recognized a \$485,000 increase resulting principally from increased services within the cruise ship industry and other remedial contracts completed. Consolidated net revenues increased to \$22,291,000 from \$19,368,000 for the nine months ended September 30, 1998, as compared to the same nine months ended in 1997. This increase of \$2,923,000, or 15.1%, is attributable to the Waste Management Services segment which experienced an increase in revenues of \$3,325,000, partially offset by a decrease in revenues from the Consulting Engineering segment. The most significant increases occurred at the PFF facility which recognized a \$1,422,000 increase resulting principally from the completion of various mixed waste contracts, the PFTS facility, which recognized an \$837,000 increase due to the increased processing capacities at this deep-well wastewater disposal facility resulting from a recently completed upgrade, and the PFFL facility, which recognized a \$725,000 increase resulting principally from growth in services within the cruise ship industry. This increase in the Waste Management Services segment was partially offset by a reduction of \$403,000 in the Consulting Engineering segment. This Consulting Engineering reduction is principally a result of the completion of several larger contracts in 1997, which were not duplicated in 1998.

Cost of goods sold for the Company increased \$662,000, or 14.3%, for the quarter ended September 30, 1998, as compared to the quarter ended September 30, 1997. This consolidated increase in cost of goods sold reflects principally the increased disposal, transportation and operating costs corresponding to the 16.5% increase in revenues, as discussed above. The resulting gross profit for the quarter ended September 30, 1998, increased \$482,000 to \$2,773,000, which as a percentage of revenue is 34.4%, reflecting an increase over the 1997 percentage of revenue of 33.1%. Cost of goods sold for the Company increased \$1,825,000 or 13.5% for the nine months ended September 30, 1998, as compared to the nine months ended September 30, 1997. This consolidated increase in cost of goods sold reflects principally the increased disposal, transportation and operating costs, corresponding to the 15.1% increase in revenues, as discussed above. The resulting gross profit for the nine months ended September 30, 1998, increased \$1,098,000 to \$6,974,000, which as a percentage of revenue is 31.3%, reflecting an increase over the 1997 percentage of revenue of 30.3%.

Selling, general and administrative expenses increased \$361,000 or 26.8% for the quarter ended September 30, 1998, as compared to the quarter ended September 30, 1997. As a percentage of revenue, selling, general and administrative expense also increased to 21.2%

for the quarter ended September 30, 1998, compared to 19.5% for the same period in 1997. Selling, general and administrative expenses increased \$870,000, or 21.3%, for the nine months ended September 30, 1998, as compared to the nine months ended September 30, 1997. As a percentage of revenue, selling, general and administrative expense also increased to 22.2% for the nine months ended September 30, 1998, compared to 21.0% for the same period in 1997. The increases for both the quarter and nine months ended September 30, 1998, reflects the increased expenses associated with the Company's additional sales and marketing efforts as it continues to refocus its business segments into new environmental markets, such as nuclear and mixed waste and the development of certain on-site wastewater services, and the additional administrative overhead associated with the Company's research and development efforts, all of which are expensed in the current period as incurred.

Depreciation and amortization expense for the quarter ended September 30, 1998, reflects an increase of \$41,000 as compared to the same quarter ended September 30, 1997. This increase is attributable to a depreciation increase of \$23,000 due to capital improvements being introduced at the Company's transportation, storage and disposal ("TSD") facilities to improve efficiencies. Amortization expense reflects a total increase of \$18,000 for the quarter ended September 30, 1998, as compared to the same quarter 1997 due to the increased amortization, resulting from new capitalized permitting costs. Depreciation and amortization expense for the nine months ended September 30, 1998, reflects an increase of \$79,000 as compared to the nine months ended September 30, 1997. This increase is attributable to a depreciation expense increase of \$49,000 due to the capital improvements being introduced at the Company's TSD facilities to improve efficiencies. Amortization expense reflects a total increase of \$30,000 for the nine months ended September 30, 1998, as compared to the nine months ended September 30, 1997, due to the increased amortization, resulting from new capitalized permitting costs.

19

Interest expense increased \$24,000 for the quarter ended September 30, 1998, as compared to the corresponding period of 1997, and by \$33,000 from the nine months ended September 30, 1998, as compared to the corresponding period of 1997. The increase in interest expense during 1998 reflects the additional interest as incurred on the Congress Financial Corporation (Florida) ("Congress") term loan, which as a result of the January 1998 refinancing of the Heller Financial and Ally Capital Corporation debt obligations was reloaded to an increased balance of \$2.5 million. The Congress revolving loan balance and related interest expense reflected increases during the first six months of 1998, over the same period of 1997, which were partially offset by reduced revolving loan interest expense in the third quarter of 1998, resulting from the proceeds of the Series 10 Preferred in conjunction with improved operating cash flow.

The Preferred Stock dividends decreased \$496,000 for the nine months ended September 30, 1998, as compared to the same period of 1997, to a total of \$674,000. This decrease is principally a result of the \$908,000 of Preferred Stock dividends recorded during 1997, relative to the Series 4 and 5 Preferred Stock issued in 1997, as compared to approximately \$383,000 of Preferred Stock dividends recorded during the third quarter of 1998, relative to the 1998 issuance of the Series 10 Preferred. Also reflected in 1998 is a full nine months of dividends for the Series 8 and Series 9

Preferred, as compared to three (3) months in 1997, partially offset by reduced dividends resulting from the conversion of 1500 shares of Series 3 Preferred during the period May through August of 1997.

#### Discontinued Operations

On January 27, 1997, an explosion and resulting tank fire occurred at the PFM facility, a hazardous waste storage, processing and blending facility, which resulted in damage to certain hazardous waste storage tanks located on the facility and caused certain limited contamination at the facility. Such occurrence was caused by welding activity performed by employees of an independent contractor at or near the facility's hazardous waste tank farm contrary to instructions by PFM. The facility was non-operational from the date of this event until May 1997, at which time it began limited operations. Until the time of the incident, PFM operated as a permitted "fuel blending" facility and serviced a separate class of customers who generated specific waste streams, identified by its waste code and specific characteristics. As the Company's only such "fuel blending" facility, PFM was permitted to and capable of mixing certain hazardous liquid, semi-solid and solid waste in a vat which suspended the solids in order to pump the mixture into a tank. The tanks also contained mixing units which kept the solids suspended until the mixture could be off-loaded into tanker trucks. As a result of the damage to the tanks and processing equipment and the related cost to rebuild this operating unit, the Company decided to discontinue this line of business, which resulted in PFM's inability to service and retain the existing customer base. The existing customer base represented principally manufacturing and service companies whose operations generated certain semi-solid and solid permitted hazardous wastes, which as a result of permit and processing limitations could not be served by other Company facilities. The Company continues to pursue other markets or activities which may be performed at this facility given the permit limitations, capital requirements and development of a new line of business and related customer base. Upon evaluation of the above business decision, and given the loss of both the existing line of business and its related customer base, the Company reported the Memphis segment as a discontinued operation, pursuant to Paragraph 13 of APB 30.

The fuel blending activities were discontinued on the date of the incident, January 27, 1997. All assets involved in the fuel blending activities that were not damaged beyond repair in the fire have subsequently been damaged as a result of the decontamination process. Accordingly, during the fourth quarter of 1997, the Company recorded a loss on disposal of discontinued operations of \$3,053,000, which included \$1,272,000 for impairment of certain assets and \$1,781,000 for the establishment of certain closure liabilities.

The net loss from discontinued PFM operations for the nine months ended September 30, 1998, was \$378,000 and was recorded against the accrued closure cost estimate on the balance sheet. The net loss for the nine months ended September 30, 1997, was \$1,308,000 and is shown separately in

the Consolidated Statements of Operations. The Company has restated the 1997 operating results to reflect this discontinued operations. The results of the discontinued PFM operations do not reflect management fees charged by the Company, but do include interest expense of \$54,000 and \$180,000 during the nine months ended September 30, 1998 and 1997, respectively, specifically identified to such operations as a result of such operations actual incurred debt under the Corporation's revolving and term loan credit facility. During March of 1998, the Company received a settlement in the amount of



\$1,475,000 from its insurance carrier for the business interruption claim. This settlement was recognized as a gain in 1997 and thereby reducing the net loss recorded for the discontinued PFM operations in 1997. Revenues of the discontinued PFM operations were \$794,000 for the nine months ended September 30, 1998, and \$1,514,000 for the nine months ended September 30, 1997. These revenues are not included in revenues as reported in the Consolidated Statements of Operation.

#### Liquidity and Capital Resources of the Company

At September 30, 1998, the Company had cash and cash equivalents of \$825,000, including (\$2,000) from discontinued operations. This cash and cash equivalents total reflects an increase of \$499,000 from December 31, 1997, as a result of net cash provided by continuing operations of \$2,187,000 (including the PFM insurance settlement of \$1,475,000), offset by cash used by discontinued operation of \$903,000, cash used in investing activities of \$1,434,000 (principally purchases of equipment, net totaling \$1,640,000) and cash provided by financing activities of \$649,000 (principally proceeds from the issuance of stock partially offset by the repayment of the Company's credit facilities). Accounts receivable, net of allowances for continuing operations, totaled \$5,363,000, an increase of \$81,000 over the December 31, 1997, balance of \$5,282,000, which principally reflects the impact of increased sales during the third quarter of 1998.

During fiscal year 1997 and 1998 there were numerous events, many of which were precipitated by the Company, which served to increase the Company's liquidity on a short term and long term basis. During 1997, the Company and certain of its subsidiaries (i) sold non productive assets in the amount of \$245,000. (ii) entered into and received business interruption insurance proceeds for Ft. Lauderdale facility in the amount of \$231,000, (iii) issued Common Stock pursuant to certain stock purchase agreements and warrant and option exercises which yielded \$751,000, (iv) issued two (2) Series of Preferred Stock for \$2,850,000, (v) received insurance proceeds of \$422,000 as a result of the fire and explosion at PFM; and (vi) issued \$378,000 of Common Stock for outstanding debts.

As detailed below, during 1998 the Company entered into the Loan Agreement with Congress, pursuant to which (i) the previous loan arrangements with Heller Financial Corporation ("Heller") and Ally Capital Corporation ("Ally") were replaced, (ii) the then existing loan covenant violations of the Company under the Heller and Ally loan arrangements were eliminated, and (iii) the Company received increased lending availability. During 1998, the Company also received insurance proceeds related to the fire and explosion at PFM in the amount of \$1,475,000, issued the Series 10 Preferred for \$3,000,000, and issued \$588,863 of Common Stock for outstanding debts.

On January 15, 1998, the Company, as parent and guarantor, and all direct and indirect subsidiaries of the Company, as co-borrowers and cross-guarantors, entered into a Loan and Security Agreement ("Agreement") with Congress Financial Corporation (Florida) as lender ("Congress"). The Agreement provides for a term loan in the amount of \$2,500,000, which requires principal repayments based on a four-year level principal amortization over a term of 36 months, with monthly principal payments of \$52,000. Payments commenced on February 1, 1998, with a final balloon payment in the amount of approximately \$573,000 due on January 14, 2001. The Agreement also provides for a revolving loan facility in the amount of \$4,500,000. At any point in time the aggregate available borrowings under the facility are subject to the maximum credit availability as determined through a monthly borrowing base calculation, as updated for certain

information on a weekly basis, equal to 80% of eligible accounts receivable accounts of the Company as defined in the Agreement. The termination date on the revolving loan facility is also the third anniversary of the closing

21

date. The Company incurred approximately \$237,000 in financing fees relative to the solicitation and closing of this loan agreement (principally commitment, legal and closing fees) which are being amortized over the term of the Agreement.

Pursuant to the Agreement, the term loan and revolving loan both bear interest at a floating rate equal to the prime rate plus 1 3/4%. The Agreement also provides for a one time rate adjustment of 1/4%, subject to the company meeting certain 1998 performance objectives. The loans also contain certain closing, management and unused line fees payable throughout the term. The loans are subject to a 3.0% prepayment fee in the first year, 1.5% in the second and 1.0% in the third year of the Agreement.

As security for the payment and performance of the Agreement, the Company granted a first security interest in all accounts receivable, inventory, general intangibles, equipment and other assets of the Company and its subsidiaries, as well as the mortgage on two (2) facilities owned by subsidiaries of the Company. The Agreement contains affirmative covenants including, but not limited to, certain financial statement disclosures and certifications, management reports, maintenance of insurance and collateral. The Agreement also contains an Adjusted Net Worth financial covenant, as defined in the Agreement, of \$3,000,000. Under the Agreement, the Company, and its subsidiaries are limited to granting liens on their equipment, including capitalized leases, (other than liens on the equipment to which Congress has a security interest) in an amount not to exceed \$2,500,000 in the aggregate at any time outstanding.

The proceeds of the Agreement were utilized to repay in full on January 15, 1998, the outstanding balance of \$3,115,000 under the Heller Loan and Security Agreement which was comprised of a revolving loan and term loan, and to repay the outstanding balance of \$624,000 under the Ally Equipment Financing Agreements. The Company had borrowing availability under the Congress Agreement of approximately \$1,500,000 as of the date of closing, based on 80% of eligible accounts receivable accounts. The Company recorded the December 31, 1997, Heller and Ally debt balances as though the Congress transaction had been closed as of December 31, 1997. As a result of this transaction, and the repayment of the Heller and Ally debt, the combined monthly debt payments were reduced from approximately \$104,000 per month to \$52,000 per month. As of September 30, 1998, the borrowings under the Congress revolving loan facility totaled \$52,000, with borrowing availability of approximately \$3,538,000 based on the amount of outstanding eligible accounts receivable as of September 30, 1998. The balance under the Congress term loan at September 30, 1998, was \$2,083,000.

At September 30, 1998, the Company had \$3,013,000 in aggregate principal amounts of outstanding debt, related to continuing operations, as compared to \$4,865,000 at December 31, 1997. This decrease in outstanding debt of \$1,852,000 principally reflects the decreased borrowings under the Company's revolving credit facility (\$2,028,000) resulting from cash provided by continuing operations and cash proceeds from the Series 10 Preferred, and the new equipment financing at the Perma-Fix of Florida, Inc. facility (\$317,000), partially offset by the scheduled principal repayments on the Company's other credit agreements.

As of September 30, 1998, the Company had \$49,000 in aggregate principal amounts of outstanding debt related to PFM discontinued operations, of which \$42,000 is classified as current.

As of September 30, 1998, total consolidated accounts payable for continuing operations of the Company was \$1,852,000, a reduction of \$411,000 from the December 31, 1997, balance of \$2,263,000.

The Company's net purchases of new capital equipment for continuing operations for the nine month period ended September 30, 1998, totaled approximately \$1,970,000, including \$330,000 of financed purchases. These expenditures were for expansion and improvements to the operations principally within the Waste Management segment. These capital expenditures were principally funded by the \$1,475,000 PFM insurance settlement, utilization of the Company's revolving credit facility, internally generated funds, and other lease financing. The Company had budgeted capital expenditures of \$1,950,000 for 1998, subsequently increase to a level of approximately \$2,100,000 which includes completion of certain current projects, as well as other identified capital and permit compliance

22

purchases, excluding environmental contingencies as discussed below. The Company anticipates funding the remainder of its 1998 capital expenditures by a combination of lease financing with lenders other than the equipment financing arrangement discussed above, proceeds from the Series 10 Preferred Stock, and/or internally generated funds.

On or about June 30, 1998, the Company issued 3,000 shares of newly created Series 10 Class J Convertible Preferred Stock ("Series 10 Preferred"), as further discussed in Note 6 to Consolidated Financial Statements and Item 2 "Changes in Securities and Use of Proceeds." The Company received net proceeds of \$2,768,000 (after deduction of the payment of \$210,000 for broker's commission and certain other closing costs, but prior to the Company's legal fees and other costs in connection with the sale of the Series 10 Preferred and the registration of the Common Stock issuable upon conversion of such Preferred Stock) for the sale of the Series 10 Preferred. These net proceeds were received by the Company on July 14, 1998, and have been recorded as a Preferred Stock receivable at June 30, 1998. Each share of Series 10 Preferred sold for \$1,000 per share and has a liquidation value of \$1,000 per share. The Company utilized the proceeds received on the sale of Series 10 Preferred for working capital and/or to reduce the outstanding balance of its revolving credit facility, subject to the Company reborrowing under such credit facility.

With the issuance of the Series 10 Preferred, the Company has outstanding 9,850 shares of Preferred Stock, with each share having a liquidation preference of \$1,000 ("Liquidation Value"). Annual dividends on the Preferred Stock ranges from 4% to 6% of the Liquidation Value, depending upon the Series. Dividends on the Preferred Stock are cumulative, and are payable, if and when declared by the Company's Board of Directors, on a semi-annual basis. Dividends on the outstanding Preferred Stock may be paid at the option of the Company, if declared by the Board of Directors, in cash or in the shares of the Company's Common Stock as described under Note 6 of the Consolidated Financial Statements and Item 2 of Part II hereof. The accrued dividends for the period from January 1, 1998, through June 30, 1998, on the then outstanding shares of the Company's Preferred Stock in the amount of approximately \$176,000 were paid in July 1998, by the Company issuing 90,609 shares of the Company's Common Stock. It is the present intention of the Company to pay any dividends declared by the Company's Board of Directors on its outstanding shares of Preferred Stock in Common Stock of the Company.

As of September 30, 1998, there are certain events, which may have a material impact on the Company's liquidity on a short-term basis. The Company's Board of Directors has authorized the repurchase of up to 500,000 share of the Company's Common Stock from time to time in the open market or privately negotiated transactions, in accordance with SEC Rule 106-18, which if such shares were purchased as of the date of the report would result in the expenditure of approximately \$1.0 million in cash, (ii) extended an offer of \$225,000 (payable \$150,000 at closing and \$75,000 over a twelve month period) to settle any potential liability regarding the Drum Site as discussed below, and (iii) signed a letter of intent regarding potential acquisitions as further discussed in Note 7 to the Notes to Consolidated Financial Statements. In conjunction with this proposed acquisition, the Company would fund certain closing costs and accrued liabilities in amounts yet to be determined. The Company anticipates funding these activities from cash provided by continuing operations and borrowings under the Company's revolving credit facility.

The working capital position of the Company at September 30, 1998, was \$1,386,000, as compared to \$754,000 at December 31, 1997, which reflects an increase of \$632,000 during this first nine months of 1998. This increased working capital position is principally a result of the Series 10 Preferred equity proceeds received in July 1998 and the cash contributions provided by the continuing operations, partially offset by the fact that the Company reduced its current liabilities during the first nine months of 1998 by approximately \$1,710,000. The Company also reduced its long-term liabilities by \$2,176,000, to a balance of \$6,219,000 at September 30, 1998.

#### 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. 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.

The Company routinely uses third party disposal companies, who ultimately destroy landfill residual materials generated at its facilities or at a client's site. The Company, compared to its competitors, disposes of significantly less hazardous or industrial by-products from its operations due to rendering material non-hazardous, 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 and consequently require remedial action; consequently, any party utilizing these sites may be liable for some or all of the remedial costs. Despite the Company's aggressive compliance and auditing procedures for disposal of wastes, the Company could, in the future, be notified that it is a potentially responsible party ("PRP") at a remedial action site, which could have a material adverse effect on the Company.

In addition to budgeted capital expenditures of \$2,100,000 for

1998 at the TSD facilities of the Company, which are necessary to maintain permit compliance and improve operations, the Company has also budgeted for 1998 an additional \$1,045,000 in environmental expenditures to comply with federal, state and local regulations in connection with remediation of two locations. One location owned by PFM and the other location leased by a predecessor of another subsidiary of the Company. The Company has estimated the expenditures for 1998 to be approximately \$210,000 at the site leased by a predecessor of a subsidiary of the Company and \$835,000 at the PFM location. Additional funds will be required for the next five to ten years to properly investigate and remediate these sites. The Company expects to fund these expenses to remediate these two sites from funds generated internally.

In addition the Company's subsidiary, PFM, has been notified by the United States Environmental Protection Agency ("EPA") that it believes that PFM is a PRP regarding the remediation of a drum reconditioning facility in Memphis, Tennessee, owned by others ("Drum Site"), primarily as a result of activities by PFM prior to the date that the Company acquired PFM in December 1993. The EPA has advised PFM that it has spent approximately \$1.4 million to remediate the Drum Site, and that the EPA has sent PRP letters to approximately 50 other PRPs regarding the Drum Site in addition to PFM. The EPA has further advised that it believes that PFM supplied a substantial amount of drums to the Drum Site. The Company is currently negotiating with the EPA regarding the possibility of settling the EPA's claims against PFM as to the Drum Site. During the third quarter of 1998, the Company extended an offer of \$225,000 (payable \$150,000 at closing and the balance over a twelve month period) to settle any potential liability regarding the Drum Site. Based upon discussions with government officials, the Company believes the settlement offer will be accepted, however, no assurance can be made that the Company's current settlement offer will be accepted or that the Company will be able to settle its claims regarding the Drum Site in an amount and manner which the Company believes is reasonable. If PFM is unable to settle such claims by the EPA and PFM is determined to be liable for all or a substantial portion of the remediation costs incurred by the EPA at the Drum Site, such could have a material adverse effect on the Company.

#### Year 2000 Issues

The staff of the Securities and Exchange Commission has indicated that each public company should discuss its "Year 2000" issues. The Year 2000 problem arises because many computer systems were designed to identify a year using only two digits, instead of four digits, in order to conserve memory and other resources. For instance, "1997" would be held in the memory of a computer as "97."

When the year changes from 1999 to 2000, a two digit system would read the year as changing from "99" to "00." For a variety of reasons, many computer systems are not designed to make such a date change or are not designed to "understand" or react appropriately to such a date change. Therefore, as the date changes to the year 2000, many computer systems could completely stop working or could perform in an improper and unpredictable manner.

The Company has conducted a review of its computer systems to identify the systems which it anticipated could be affected by the Year 2000 issue, and the Company believes that all such systems were already, or have been converted to be, Year 2000 compliant. Such conversion, when required, did not entail material expenditures by

the Company. Pursuant to the Company's Year 2000 planning, the Company has requested information regarding the computer systems of its key suppliers, customers, creditors, and financial service organizations and has been informed that they are substantially Year 2000 compliant. There can be no assurance, however, that such key organizations are actually Year 2000 complaint and that the Year 2000 issue will not adversely affect the Company's financial position or results of operations. The Company believes that its expenditures in addressing its Year 2000 issues will not have a material adverse effect on the Company's financial position or results of operations.

25

Item 6. Exhibits and Reports on Form 8-K

<TABLE>

<CAPTION>

(a) Exhibits

<S> <C>

- 4.1\* Congress Financial, Inc. subordination and consent letter dated June 25, 1998, is incorporated by reference from Exhibit 4.1 to the Company's Form 10-Q for the quarter ended September 30, 1998.
- 4.2\* Congress Financial, Inc. subordination and consent letter dated October 16, 1998, is incorporated by reference from Exhibit 4.2 to the Company's Form 10-Q for the quarter ended September 30, 1998.
- 4.3\* Congress Financial Corporation (Florida) consent letter dated October 26, 1998, is incorporated by reference from Exhibit 4.3 to the Company's Form 10-Q for the quarter ended September 30, 1998
- 10.1\* Basic Oak Ridge Agreement between East Tennessee Materials and Energy Corporation (M&EC) and Bechtel Jacobs Company, LLC No. 1GB-99446V dated June 23, 1998, is incorporated by reference from Exhibit 10.1 to the Company's Form 10-Q for the quarter ended September 30, 1998 (Exhibits to this contract as listed in the index are omitted, but will be provided to the Commission upon request.)
- 10.2\* Basic Oak Ridge Agreement between East Tennessee Materials and Energy Corporation (M&EC) and Bechtel Jacobs Company, LLC No. 1GB-99447V dated June 23, 1998, is incorporated by reference from Exhibit 10.2 to the Company's Form 10-Q for the quarter ended September 30, 1998. (Exhibits to this contract as listed in the index are omitted, but will be provided to the Commission upon request.)
- 10.3\* Basic Oak Ridge Agreement between East Tennessee Materials and Energy Corporation (M&EC) and Bechtel Jacobs Company, LLC No. 1GB-99448V dated June 23, 1998, is incorporated by reference from Exhibit 10.3 to the Company's Form 10-Q for the quarter ended September 30, 1998. (Exhibits to this contract as listed in the index are omitted, but will be provided to the Commission upon request.)
- 10.4\* General agreement between East Tennessee Materials and

Energy Corporation (M&EC) and Perma-Fix Environmental Services, Inc. dated May 27, 1998, is incorporated by reference from Exhibit 10.4 to the Company's Form 10-Q for the quarter ended September 30, 1998.

10.5\* Appendix B to general agreement between East Tennessee Materials and Energy Corporation (M&EC) and Perma-Fix Environmental Services, Inc. dated November 6, 1998, is incorporated by reference from Exhibit 10.5 to the Company's Form 10-Q for the quarter ended September 30, 1998.

27\*\* Financial Data Sheet

99.1\* Letter of intent Chem-Con/Chem-Met acquisition dated November 5, 1998, with letter of intent relating to Chemical Conservation Corporation (Florida) and Chemical Conservation of Georgia, Inc. and letter of intent relating to Chem-Met Services, Inc. attached thereto, is incorporated by reference from Exhibit 99.1 to the Company's Form 10-Q for the quarter ended September 30, 1998.

---

<FN>

\* Previously filed with Form 10-Q for the quarter ended September 30, 1998.

\*\*Filed herewith

</FN>

</TABLE>

(b) Report on Form 8-K

A current report on Form 8-K (Item 5 - Other Events), dated June 30, 1998, was filed on July 17, 1998 of (i) the newly-created Series 10 Preferred Stock and the RBB Series 10 Warrants to RBB Bank, (ii) the Liviakis Warrant to Liviakis, (iii) the Prag Warrant to Prag, (iv) the Genesis Warrant to Genesis, and (v) the Fontenoy Warrant to Fontenoy.

26

SIGNATURES

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

PERMA-FIX ENVIRONMENTAL SERVICES, INC.

Date: January 12, 1999

By: /s/ Louis F. Centofanti

---

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

By: /s/ Richard T. Kelecy

---

Richard T. Kelecy  
Chief Financial Officer

27

<TABLE>  
<CAPTION>

EXHIBIT INDEX

Exhibit No.	Description	Page No.
<S>	<C>	<C>
4.1*	Congress Financial, Inc. subordination and consent letter dated June 25, 1998, is incorporated by reference from Exhibit 4.1 to the Company's Form 10-Q for the quarter ended September 30, 1998.	
4.2*	Congress Financial, Inc. subordination and consent letter dated October 16, 1998, is incorporated by reference from Exhibit 4.2 to the Company's Form 10-Q for the quarter ended September 30, 1998.	
4.3*	Congress Financial Corporation (Florida) consent letter dated October 26, 1998, is incorporated by reference from Exhibit 4.3 to the Company's Form 10-Q for the quarter ended September 30, 1998.	
10.1*	Basic Oak Ridge Agreement between East Tennessee Materials and Energy Corporation (M&EC) and Bechtel Jacobs Company, LLC No. No. 1GB-99446V dated June 23, 1998, is incorporated by reference from Exhibit 10.1 to the Company's Form 10-Q for the quarter ended September 30, 1998 (Exhibits to this contract as listed in the index are omitted, but will be provided to the Commission upon request.)	
10.2*	Basic Oak Ridge Agreement between East Tennessee Materials and Energy Corporation (M&EC) and Bechtel Jacobs Company, LLC No. 1GB-99447V dated June 23, 1998, is incorporated by reference from Exhibit 10.2 to the Company's Form 10-Q for the quarter ended September 30, 1998. (Exhibits to this contract as listed in the index are omitted, but will be provided to the Commission upon request.)	
10.3*	Basic Oak Ridge Agreement between East Tennessee Materials and Energy Corporation	



(M&EC) and Bechtel Jacobs Company, LLC No. No. 1GB-99448V dated June 23, 1998, is incorporated by reference from Exhibit 10.3 to the Company's Form 10-Q for the quarter ended September 30, 1998. (Exhibits to this contract as listed in the index are omitted, but will be provided to the Commission upon request.)

- 10.4\* General agreement between East Tennessee Materials and Energy Corporation (M&EC) and Perma-Fix Environmental Services, Inc. dated May 27, 1998, is incorporated by reference from Exhibit 10.4 to the Company's Form 10-Q for the quarter ended September 30, 1998.
- 10.5\* Appendix B to general agreement between East Tennessee Materials and Energy Corporation (M&EC) and Perma-Fix Environmental Services, Inc., dated November 6, 1998, is incorporated by reference from Exhibit 10.5 to the Company's Form 10-Q for the quarter ended September 30, 1998.
- 27\*\* Financial Data Sheet. 29
- 99.1\* Letter of intent Chem-Con/Chem-Met acquisition dated November 5, 1998, with letter of intent relating to Chemical Conservation Corporation (Florida) and Chemical Conservation of Georgia, Inc. and letter of intent relating to Chem-Met Services, Inc. attached thereto, is incorporated by reference from Exhibit 99.1 to the Company's Form 10-Q for the quarter ended September 30, 1998.

---

<FN>

\* Previously filed with Form 10-Q for the quarter ended September 30, 1998.

\*\*Filed herewith

</FN>

</TABLE>

<TABLE> <S> <C>

<ARTICLE>

5

<S>

<C>

<PERIOD-TYPE>	9-MOS
<FISCAL-YEAR-END>	DEC-31-1997
<PERIOD-END>	SEP-30-1998
<CASH>	\$ 827,000
<SECURITIES>	0
<RECEIVABLES>	5,671,000
<ALLOWANCES>	308,000
<INVENTORY>	124,000
<CURRENT-ASSETS>	7,657,000
<PP&E>	18,062,000
<DEPRECIATION>	6,284,000
<TOTAL-ASSETS>	28,406,000
<CURRENT-LIABILITIES>	6,271,000
<BONDS>	2,119,000
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	13,000
<OTHER-SE>	15,903,000
<TOTAL-LIABILITY-AND-EQUITY>	28,406,000
<SALES>	0
<TOTAL-REVENUES>	22,291,000
<CGS>	0
<TOTAL-COSTS>	15,317,000
<OTHER-EXPENSES>	1,566,000
<LOSS-PROVISION>	30,000
<INTEREST-EXPENSE>	364,000
<INCOME-PRETAX>	(373,000)
<INCOME-TAX>	0
<INCOME-CONTINUING>	(373,000)
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	(373,000)
<EPS-PRIMARY>	.00
<EPS-DILUTED>	.00

</TABLE>