SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-QSB

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2003

OR

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

Commission file number 0-9040

DRYCLEAN USA, Inc.

(Exact name of small business issuer as specified in its charter)

DELAWARE	11-2014231
(State of other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

290 N.E. 68 Street, Miami, Florida 33138
(Address of principal executive offices)

(305) 754-4551
(Issuer's telephone number)

Not Applicable
(Former name)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No

State the number of shares outstanding of each of the issuer's classes of common equity as of the latest practicable date: Common Stock, $.025 par value per share - 6,996,450 shares outstanding as of May 5, 2003.

Transitional Small Business Disclosure Format: Yes No X
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DRYCLEAN USA, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

<TABLE>
<CAPTION>

	For the nine months ended March 31,		For the three months ended March 31,	
	2003	2002	2003	2002
	(Unaudited)		(Unaudited)	
<S>	<C>	<C>	<C>	<C>
Sales	$ 10,024,123	$ 9,898,327	$ 3,098,134	$ 3,395,161
Franchise and license fees, commissions and other income	450,672	654,053	95,023	147,531
Total revenues	10,474,795	10,552,380	3,193,157	3,542,692
Cost of goods sold	7,245,990	7,119,900	2,179,540	2,331,899
Selling, general and administrative expenses	2,749,578	2,811,114	871,743	878,585
Research and development	34,009	24,624	13,565	7,400
Total operating expenses	10,029,577	9,955,638	3,064,848	3,217,884
Operating income	445,218	596,742	128,309	324,808
Other income (expenses)				
Interest income	20,046	9,779	7,174	3,999
Interest expense	(22,295)	(44,303)	(6,104)	(10,321)

Total	(2,249)	(34,524)	1,070	(6,322)
Earnings from continuing operations before taxes	442,969	562,218	129,379	318,486
Provision for income taxes	177,188	224,886	51,752	127,394
Net earnings from continuing operations	265,781	337,332	77,627	191,092
Net loss from discontinued operations	-	(74,728)	-	(62,914)
Net gain on settlement of liabilities associated with discontinued operations	39,976	-	-	-
Net earnings	$ 305,757	$ 262,604	$ 77,627	$ 128,178
Basic and diluted earnings per share from continuing operations	$ .04	$ .05	$ .01	$ .03
Basic and diluted loss per share from discontinued operations	$ .00	$ (.01)	$ .00	$ (.01)
Basic and diluted earnings per share	$ .04	$ .04	$ .01	$ .02
Weighted average number of shares outstanding basic and diluted	6,996,450	6,999,334	6,996,450	6,996,450

</TABLE>

See Notes to Condensed Consolidated Financial Statements

DRYCLEAN USA, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	March 31, 2003 (Unaudited)	June 30, 2002
ASSETS		
CURRENT ASSETS		
<S>	<C>	<C>
Cash and cash equivalents	$ 1,311,137	$ 1,264,357
Accounts and trade notes receivable, net of allowance for doubtful accounts of $205,000 and $130,000 at March 31, 2003 and June 30, 2002, respectively	1,287,217	1,542,691
Inventories	2,769,640	2,918,472
Note receivable (Note 2)	157,143	
Lease receivables	138,807	37,290
Refundable income taxes	45,329	225,167
Deferred income taxes	240,351	240,351
Other assets, net	185,379	185,631
Current assets of discontinued operations		745,000
Total current assets	6,135,003	7,158,959
Lease and trade notes receivables, due after one year	96,999	681
Note receivable due after one year (Note 2)	264,286	-
Equipment and improvements - net of accumulated depreciation and amortization	230,541	274,124
Franchise, trademarks and other intangible assets, net	424,819	455,104
Deferred tax asset	8,869	8,869
Non-current assets of discontinued operations	-	15,000
	$ 7,160,517	$ 7,912,737

</TABLE>

See Notes to Condensed Consolidated Financial Statements

DRYCLEAN USA, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS

LIABILITIES AND SHAREHOLDERS' EQUITY

<TABLE>
<CAPTION>

<S>	<C> March 31, 2003 (Unaudited)	<C> June 30, 2002
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 1,085,047	$ 1,736,393
Current portion of bank loan	560,000	320,000
Customer deposits	372,855	539,486
Total current liabilities	2,017,902	2,595,879
Long term debt, less current portion	-	480,000
Total liabilities	2,017,902	3,075,879
SHAREHOLDERS' EQUITY		
Common stock, $.025 par value; 15,000,000 shares authorized; 7,027,500 shares issued and outstanding at March 31, 2003 and June 30, 2002, respectively, including shares held in treasury	175,688	175,688
Additional paid-in capital	2,048,570	2,048,570
Retained earnings	2,921,377	2,615,620
Treasury stock, 31,050 shares at cost	(3,020)	(3,020)
Total shareholders' equity	5,142,615	4,836,858
	$7,160,517	$7,912,737

</TABLE>

See Notes to Condensed Consolidated Financial Statements

DRYCLEAN USA, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

<S>	<C> Nine months ended March 31, 2003 (Unaudited)	<C> Nine months ended March 31, 2002 (Unaudited)
Operating activities:		
Net earnings from continuing operations	$ 265,781	$ 337,332
Adjustments to reconcile net earnings to net cash (used) provided by operating activities:		
Bad debt expense	75,673	45,033
Depreciation and amortization	92,519	84,555
(Increase) decrease in operating assets:		
Accounts, trade notes and lease receivables	(18,034)	249,988
Inventories	148,832	115,101
Other current assets	252	40,761
Refundable income taxes	179,838	257,363
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(651,346)	(398,413)
Customer deposits	(166,631)	(128,360)
Income taxes payable	-	47,872
Net cash (used) provided by operating activities	(73,116)	651,232
Discontinued operations:		
Net loss	-	(74,728)
Increase in operating assets	-	(29,482)
Net gain on settlement of liabilities associated with discontinued operations	39,976	
Cash provided (used) by discontinued operations	39,976	(104,210)
Investing activities:		
Net proceeds from disposal of business	210,000	
Capital expenditures	-	(86,692)
Payments received on note receivable	128,571	-
Patent expenditures	(18,651)	(7,075)

Net cash provided (used) by investing activities	319,920	(93,767)
Financing activities		
Payments on term loan	(240,000)	(280,000)
Purchase of treasury stock		(3,020)
Net cash used by financing activities	(240,000)	(283,020)
Net increase in cash and cash equivalents	46,780	170,235
Cash and cash equivalents at beginning of period	1,264,357	375,912
Cash and cash equivalents at end of period	$ 1,311,137	$ 546,147
Supplemental information:		
Cash paid for interest	$ 22,295	$ 44,303
Cash paid for income taxes	24,000	86,000

</TABLE>

See Notes to Condensed Consolidated Financial Statements

DRYCLEAN USA INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE (1) - GENERAL: The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial statements and the instructions to Form 10-QSB related to interim period financial statements. Accordingly, these condensed consolidated financial statements do not include certain information and footnotes required by generally accepted accounting principles for complete financial statements. However, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting only of normal recurring accruals) which, in the opinion of management, are necessary in order to make the financial statements not misleading. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. For further information, refer to the Company's financial statements and footnotes thereto included in the Company's Annual Report on Form 10-KSB for the year ended June 30, 2002. The June 30, 2002 balance sheet information contained herein was derived from the audited consolidated financial statements included in the Company's Annual Report on Form 10-KSB as of that date.

NOTE (2) - DISCONTINUED OPERATIONS: As a result of a reduction of revenues and increasing losses in the Company's telecommunications segment and the Company's determination that the telecommunications segment was not part of its core business, effective July 31, 2002, the Company sold substantially all of the operating assets (principally inventory, equipment and intangible assets, including tradenames) of its Metro-Tel telecommunications segment to an unaffiliated third party. The Company retained all of the cash, accounts receivable and liabilities of the segment. The sales price was $800,000, of which $250,000 was paid in cash on August 2, 2002 and the remaining $550,000 is evidenced by the purchaser's promissory note that bears interest at the prevailing prime rate plus 1% per annum and was payable in 42 equal monthly installments commencing October 1, 2002. In March 2003, the purchaser prepaid $50,000 of the outstanding promissory note, which was applied to the last installments to become due. Payment and performance of the promissory note is guaranteed by two companies affiliated with the purchaser and the three principal stockholders of the purchaser and the affiliated companies, and is collateralized by substantially all of the operating assets of the purchaser and the affiliated companies. The Company has agreed to subordinate payment of the promissory note, the obligations of the affiliated companies under their guarantees and the collateral granted by the purchaser and the affiliated companies to the obligations of the purchaser and the affiliated companies to two bank lenders, subject to the Company's right to receive installment payments under the promissory note as long as the purchaser and the affiliated companies are not in default of their obligations to the applicable lender. The Company agreed to a three-year covenant not to compete with the purchaser.

The results of operations of the Company's Metro-Tel segment have been classified as discontinued operations. The estimated loss on the sale of approximately $555,000 was accrued for in the Company's financial statements for the year ended June 30, 2002. The net gain on settlement of liabilities associated with discontinued operations of $39,976 (net of approximately

$27,000 in taxes) for the nine months ended March 31, 2003 resulted from the settlement of certain discontinuance costs at amounts lower than initially estimated.

NOTE (3) - EARNINGS PER SHARE: There were 482,750 and 497,750 stock options outstanding at March 31, 2003 and March 31, 2002, respectively, that were excluded in the computations of earnings per share for such periods because the exercise prices of the options were less than the average market prices of the Company's common stock during these periods.

NOTE (4) - BANK CREDIT FACILITY: On October 11, 2002, the Company received an extension, until October 30, 2003, of its existing $2,250,000 revolving line of credit facility. Revolving credit borrowings are limited by a borrowing base of 60% of eligible accounts receivable and 60% of certain, and 50% of other, eligible inventories. As of March 31, 2003, the Company had no outstanding borrowings under the line of credit. On May 7, 2003, the Company prepaid the balance ($560,000 at March 31, 2003) of its outstanding term loan, which had been payable in monthly installments through December 2004.

NOTE (5) - STOCK OPTIONS

The Company accounts for its stock-based compensation plans under Accounting Principles Board ("APB") Opinion No. 25, Accounting for Stock Issued to Employees. The pro forma information below is based on provisions of Statement of Financial Accounting Standard ("FAS") No. 123, Accounting for Stock-Based Compensation, as amended by FAS 148, Accounting for Stock-Based Compensation-Transition and Disclosure, issued in December 2002.

<TABLE>
<CAPTION>

	NINE MONTHS ENDED		THERE MONTHS ENDED	
	MARCH 31, 2003	MARCH 31 2002	MARCH 31, 2003	MARCH 31 2002
<S>	<C>	<C>	<C>	<C>
Income from continuing operations, as reported	$ 265,781	$ 337,332	$ 77,627	$ 191,092
Less: Fair value of employee stock compensation	(10,783)	(10,783)	(3,594)	(3,594)
Pro forma income from continuing operations	$ 254,998	$ 326,549	$ 74,033	$ 187,498
Net Income, as reported	$ 305,757	$ 262,604	$ 77,627	$ 128,178
Less: Fair value of employee stock compensation	(10,783)	(10,783)	(3,594)	(3,594)
Pro forma net income	$ 294,974	$ 251,821	$ 74,033	$ 124,584
Earning per common share				
Continuing operations, as reported-Basic and Diluted	$ 0.04	$ 0.05	$ 0.01	$ 0.03
Continuing operations, pro forma-Basic and Diluted	$ 0.04	$ 0.05	$ 0.01	$ 0.03
Net income, as reported-Basic and Diluted	$ 0.04	$ 0.04	$ 0.01	$ 0.02
Net income, pro forma-Basic and Diluted	$ 0.04	$ 0.04	$ 0.01	$ 0.02

</TABLE>

There were no options granted during the three and nine months ended March 31, 2003 and 2002.

NOTE (6) - SEGMENT INFORMATION: The Company's reportable segments are strategic businesses that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. The Company primarily evaluates the operating performance of its segments based on the categories noted in the table below. The Company has no sales between segments.

Financial information for the Company's business segments is as follows:

<TABLE>
<CAPTION>

	For the nine months ended March 31,		For the three months ended March 31,	
	2003	2002	2003	2002
	(Unaudited)		(Unaudited)	
<S>	<C>	<C>	<C>	<C>
Revenues:				
Commercial and industrial laundry and dry cleaning equipment	$ 10,308,675	$ 10,310,483	$ 3,147,270	$ 3,479,562
License and franchise operations	162,655	241,897	42,451	63,130
Corporate	3,465		3,436	
Total revenues	$ 10,474,795	$ 10,552,380	$ 3,193,157	$ 3,542,692

Operating income (loss)				
Commercial and industrial laundry and dry cleaning equipment	$ 613,291	$ 649,978	$ 181,025	$ 369,040
License and franchise operations	28,255	122,437	10,775	22,949
Corporate	(196,328)	(175,673)	(63,491)	(67,181)
Total operating income	$ 445,218	$ 596,742	$ 128,309	$ 324,808

<CAPTION>

<S>	March 31, 2003 (Unaudited) <C>	June 30, 2002 <C>
Identifiable assets:		
Commercial and industrial laundry and dry cleaning equipment	$ 5,512,297	$ 5,585,225
License and franchise operations	817,163	789,179
Corporate	831,057	778,333
Discontinued operations	-	760,000
Total assets	$ 7,160,517	$ 7,912,737

</TABLE>

NOTE (7) - NEW ACCOUNTING PRONOUNCEMENTS:

In June 2001, the Financial Accounting Standard Board ("FASB") issued FASB Statements No. 141, "Business Combinations," and No. 142, "Goodwill and Other Intangible Assets." SFAS 141 requires the use of the purchase method of accounting and prohibits the use of the pooling-of-interests method of accounting for business combinations initiated after June 30, 2001. SFAS 141 also requires that the Company recognize acquired intangible assets apart from goodwill if the acquired intangible assets meet certain criteria. SFAS 141 applies to all business combinations initiated after June 30, 2001 and for purchase business combinations completed on or after July 1, 2001. It also requires, upon adoption of SFAS 142, that the Company reclassify the carrying amounts of intangible assets and goodwill based on the criteria in SFAS 141.

SFAS No. 142 requires, among other things, that companies no longer amortize goodwill, but instead test goodwill for impairment at least annually. In addition, SFAS 142 requires that the Company identify reporting units for the purposes of assessing potential future impairments of goodwill, reassess the useful lives of other existing recognized intangible assets, and cease amortization of intangible assets with an indefinite useful life. An intangible asset with an indefinite useful life is to be tested for impairment in accordance with the guidance in SFAS 142. SFAS 142 is required to be applied in fiscal years beginning after December 15, 2001 to all goodwill and other intangible assets recognized at that date, regardless of when those assets were initially recognized. SFAS 142 required the Company to complete a transitional goodwill impairment test six months from the date of adoption. The Company is also required to reassess the useful lives of other intangible assets within the first interim quarter after adoption of SFAS 142.

The Company's previous business combinations were accounted for using the purchase method. As of March 31, 2003, the net carrying amount of intangible assets is $424,819. Amortization expense during the nine month period ended March 31, 2003 and 2002 was $43,638 and $44,124, respectively. There was no goodwill at March 31, 2003. The adoption of SFAS 141 and SFAS 142 did not have a significant impact on the Company's financial position or results of operations.

In August 2001, the FASB issued SFAS 144, "Accounting for Impairment or Disposal of Long-Lived Assets." This statement supersedes FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and the accounting and reporting provisions of APB opinion No. 30, "Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," for the disposal of a segment of a business (as previously defined in that Opinion). This Statement also amends ARB No. 51, "Consolidated Financial Statements" to eliminate the exception to consolidation for a subsidiary for which control is likely to be temporary. The provisions of this Statement are effective for financial statements issued for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years, with early application encouraged. The provisions of this Statement generally are to be applied prospectively. The adoption of SFAS 144 did not have a significant impact on the Company's financial position or results of operations.

In June 2002, the FASB issued SFAS 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS 146 requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. This statement supercedes the guidance provided by Emerging Issues Task Force 94-3, "Liability Recognition for Certain Costs Incurred in a Restructuring." SFAS 146 is required to be adopted for exit or disposal activities initiated after March 31, 2003. The Company does not believe the adoption of SFAS 146 will have a significant impact on its financial position or results of operations.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others," an interpretation of FASB Statements No. 5, 57, and 107 and a rescission of FASB Interpretation No. 34. This Interpretation elaborates on the disclosures to be made by a guarantor in its interim and annul financial statements about its obligations under guarantees issued. The Interpretation also clarifies that a guarantor is required to recognize, at inception of a guarantee, a liability for the fair value of the obligation undertaken. The initial recognition and measurement provisions of the Interpretation are applicable to guarantees issued or modified after December 31, 2002 and are not expected to have a material effect on the Company's financial statements.

In December 2002, the FASB issued SFAS 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - An Amendment of FASB Statement 123." This Statement amends SFAS 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of SFAS 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. This statement requires that companies follow the prescribed format and provide the additional disclosures in their annual reports for fiscal years ending after December 15, 2002 and in financial reports containing condensed financial statements for interim periods beginning after December 15, 2002.

In January 2003, the FASB issued FASB Interpretation No. 46 (" FIN 46"), "Consolidation of Variable Interest Entities." FIN 46 clarifies the application of Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 applies immediately to variable interest entities ("VIE's") created after January 31, 2003, and to VIE's in which an enterprise obtains an interest after that date. It applies in the first fiscal year or interim period beginning after June 15, 2003, to VIE's in which an enterprise holds a variable interest that it acquired before February 1, 2003. FIN 46 applies to public enterprises as of the beginning of the applicable interim or annual period. We have identified no VIE's. Accordingly, the adoption of FIN 46 is not expected to have a material impact on the Company's consolidated financial position, liquidity, or results of operations.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

GENERAL
- -------

The results of operations of the Company's Metro-Tel segment are not discussed in detail here as they have been classified as discontinued operations. The estimated loss on the sale of approximately $555,000 was accrued for in the Company's financial statements for the year ended June 30, 2002. As discussed below, for the nine months ended March 31, 2003, the Company recorded a net gain of $39,976 on the settlement of liabilities associated with the discontinued operation. The following discussion relates to the Company's continuing operations.

LIQUIDITY AND CAPITAL RESOURCES
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For the nine months ended March 31,2003, cash increased by $46,780, compared to an increase of $170,235 in the nine month period ended March 31, 2002.

Operating activities for the nine months ended March 31, 2003 used cash of $73,116. While the Company's net earnings from continuing operations ($265,781), together with non-cash expenses for depreciation and amortization ($92,519) and a provision for bad debts ($75,673), produced an aggregate of $433,973 of cash, changes in operating assets and liabilities used cash of $507,089. The principal uses of cash during the first nine months of fiscal 2003 were to reduce accounts payable by $651,346, customer deposits by $166,631 and to increase accounts, trade notes and lease receivables by $18,034. These were partially offset by cash provided primarily by a reduction in the Company's level of inventories maintained ($148,832) and the collection of refundable income taxes ($179,838) during the fiscal 2003 nine month period.

For the nine month period ended March 31, 2002, operating activities provided cash of $651,232. Of this amount $337,332 was provided by net earnings from continuing operations and $84,555 and $45,033 was provided by non-cash expenses for depreciation and amortization and a provision for bad debts, respectively. Additional cash was provided by decreases in accounts, trade notes and lease receivables ($249,988), inventories ($115,101), other current assets ($40,761) and the return of income taxes ($257,363). The cash generated was partially used to decrease accounts payable and accrued expenses ($398,413) and customer deposits ($128,360). Cash was also provided by an increase in income taxes payable ($47,872).

Discontinued operations provided a non-cash gain of $39,976, net after taxes, in the nine months ended March 31, 2003, on the settlement of liabilities associated with accruals of transaction costs connected with the sale of the Metro-Tel telecommunications segment. These estimated expenses were accrued for in fiscal 2002. Savings were realized principally in rent expenses and professional fees and other transaction costs. Discontinued operations for the nine months of fiscal 2002 used cash of $104,210.

Investing activities for the nine months ended March 31, 2003 provided cash of $319,920, principally as a result of $210,000 provided by the net proceeds from the sale of the Company's telecommunications division and $128,571 from payments received on a note issued in conjunction with that sale. Patent work used cash of $18,651. For the same period of fiscal

2002, investing activities used cash of $93,767 mostly for equipment purchases ($86,692) and to fund patent work ($7,075).

For the nine month period of fiscal 2003, financing activities used cash of $240,000 to pay monthly installments of the Company's term loan. During the same period of fiscal 2002, financing activities used cash of $283,020 principally to make monthly payments of the Company's term loan ($280,000) and to purchase capital stock for treasury ($3,020).

On October 11, 2002, the Company received an extension, until October 30, 2003 of its existing $2,250,000 revolving line of credit facility. Revolving credit borrowings are limited by a borrowing base of 60% of eligible accounts receivable and 60% of certain, and 50% of other, eligible inventories. As of March 31, 2003, the Company had no outstanding borrowings under the line of credit. On May 7, 2003, the Company prepaid the balance ($560,000 at March 31, 2003) of its outstanding term loan, which had been payable in monthly installments through December 2004.

The Company believes that its present cash position and cash it expects to generate from operations and cash borrowings available under its $2,250,000 line of credit will be sufficient to meet its currently anticipated operational needs.

OFF-BALANCE SHEET FINANCING

The Company has no off-balance sheet financing arrangements.

FOREIGN EXCHANGE MARKET RISK

The Company's bank revolving credit facility includes a $250,000 foreign exchange subfacility for the purpose of enabling the Company to hedge its currency exposure in connection with its import activities through spot foreign exchange and forward exchange contracts.

RESULTS OF OPERATIONS

Total revenues for the nine and three month periods ended March 31, 2003 decreased by $77,585 (.7%) and $349,535 (9.9%), respectively, from the same periods of fiscal 2002. For the nine month period in fiscal 2003, sales of the commercial laundry and dry cleaning segment remained essentially flat compared to the same period in fiscal 2002, with a 13.8% decrease in dry cleaning machines sales being offset by sales increases of laundry equipment (11.7%) and spare parts (1.2%). For the three month period ended March 31, 2003, sales of this segment decreased by $332,292 (9.5%) as sales of dry cleaning machines were down 39.5%. Increased sales of laundry equipment (9.8%) and spare parts (5.1%) were not sufficient to offset the decrease in dry cleaning machines sales. The decrease in sales for dry cleaning equipment for both fiscal 2003 reported periods reflects the downturn in the economy of Latin America and the Caribbean. While sales of standard dry cleaning machines to the United States market were also down, they were offset by sales of the Green-Jet(R) dry-wetcleaning(TM) machines.

The Company's license and franchise segment experienced a decrease in revenues of $79,242 (32.8%) and $20,679 (32.8%) for the nine and three month periods, respectively. The decreases

for both periods was attributable to lower royalty income due to the slower economy in the United States and Latin America.

Costs of goods sold, expressed as a percentage of sales, increased to 72.3% for the nine month period of fiscal 2003 from 71.9% from the comparable period of a year ago. For the three month period in fiscal 2003, cost of goods sold increased to 70.4% from 68.7% in the comparable fiscal 2002 period. The increases for both reported fiscal 2003 periods was primarily attributable to the relative mix of products sales in the periods.

Selling, general and administrative expenses decreased by $61,536 (2.2%) and $6,842 (.8%) for the nine and three month periods, respectively, in fiscal 2003 from the comparable periods of fiscal 2002. During the nine month period, the decrease was mainly attributable to lower commissions, consulting services, exhibits and convention expenses and telephone expenses, which offset increases in insurance expenses and the provision for bad debts. For the three month period of fiscal 2003 expenses were relatively flat compared to the same period of fiscal 2002.

Research and development expenses increased by $9,385 (38.1%) and $6,165 (83.3%) during the nine and three month periods of fiscal 2003, respectively, over the same periods of a year ago. The increase for both periods was principally due to continuing design changes and the development of new models of the Green-Jet(R) dry-wetcleaning(TM) machine.

Interest income increased by $10,267 (105.0%) and $3,175 (79.4%) for the nine and three month periods, respectively, of fiscal 2003 from the comparable periods of fiscal 2002, mostly due to interest payments received against a note associated with the sale of the Company's Metro-Tel telecommunications division.

Interest expense decreased by $22,008 (49.7%) and $4,217 (40.9%) for the nine and three month periods, respectively, of fiscal 2003 from the same periods of fiscal 2002, primarily due to a reduction in outstanding debt and lower prevailing interest rates. On May 7, 2003, the Company prepaid the balance ($560,000 at March 31, 2003) of its outstanding term loan, which had been payable in monthly installments through December 2004.

The loss from discontinued operations of $74,728 and $62,914, net of tax benefit, for the nine month and three month periods of fiscal 2002, respectively, relates to the Metro-Tel telecommunications segment sold effective July 31, 2002. Results of operations have been reclassified to reflect the Metro-Tel segment as a discontinued operation.

The $39,976 net gain on the settlement of liabilities associated with the disposal of discontinued operations was caused by savings realized from accrued transaction costs, principally in rent expense and professional fees and other transaction costs, associated with the sale of the Metro-Tel telecommunication segment.

The effective tax rate used in each period was 40%.

INFLATION
- ---------

Inflation has not had a significant effect on the Company's operations during any of the reported periods.

TRANSACTIONS WITH RELATED PARTIES
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The Company leases 27,000 square feet of warehouse and office space from William K. Steiner, a principal stockholder, Chairman of the Board of Directors and a director of the Company, under a lease which expires in October 2004. Annual rental under this lease is approximately $83,200. The Company believes that the terms of the lease are comparable to terms that would be obtained from an unaffiliated third party for similar property in a similar locale.

CRITICAL ACCOUNTING POLICIES
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The accounting policies that the Company has identified as critical to its business operations and to an understanding of the Company's results of operations are described in detail in the Company's Annual Report on Form 10-KSB for the fiscal year ended June 30, 2002. In many cases, the accounting treatment of a particular transaction is specifically dictated by accounting principles generally accepted in the United States of America, with no need for management's judgment in their application. In other cases, preparation of the Company's unaudited condensed consolidated financial statements for interim periods requires us to make estimates and assumptions that effect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. There can be no assurance that the actual results will not differ from those estimates.

NEW ACCOUNTING PRONOUNCEMENTS:

In June 2001, the Financial Accounting Standard Board ("FASB") issued FASB Statements No. 141, "Business Combinations," and No. 142, "Goodwill and Other Intangible Assets." SFAS 141 requires the use of the purchase method of accounting and prohibits the use of the pooling-of-interests method of accounting for business combinations initiated after June 30, 2001. SFAS 141 also requires that the Company recognize acquired intangible assets apart from goodwill if the acquired intangible assets meet certain criteria. SFAS 141 applies to all business combinations initiated after June 30, 2001 and for purchase business combinations completed on or after July 1, 2001. It also requires, upon adoption of SFAS 142, that the Company reclassify the carrying amounts of intangible assets and goodwill based on the criteria in SFAS 141.

SFAS No. 142 requires, among other things, that companies no longer amortize goodwill, but instead test goodwill for impairment at least annually. In addition, SFAS 142 requires that the Company identify reporting units for the purposes of assessing potential future impairments of goodwill, reassess the useful lives of other existing recognized intangible assets, and cease amortization of intangible assets with an indefinite useful life. An intangible asset with an indefinite useful life is to be tested for impairment in accordance with the guidance in SFAS 142. SFAS 142 is required to be applied in fiscal years beginning after December 15, 2001 to all goodwill and other intangible assets recognized at that date, regardless of when those assets were initially recognized. SFAS 142 required the Company to complete a transitional goodwill

impairment test six months from the date of adoption. The Company is also required to reassess the useful lives of other intangible assets within the first interim quarter after adoption of SFAS 142.

The Company's previous business combinations were accounted for using the purchase method. As of March 31, 2003, the net carrying amount of intangible assets is $424,819. Amortization expense during the nine month period ended March 31, 2003 and 2002 was $43,638 and $44,124, respectively. There was no goodwill at March 31, 2003. The adoption of SFAS 141 and SFAS 142 did not have a significant impact on the Company's financial position or results of operations.

In August 2001, the FASB issued SFAS 144, "Accounting for Impairment or Disposal of Long-Lived Assets." This statement supersedes FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and the accounting and reporting provisions of APB opinion No. 30, "Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," for the disposal of a segment of a business (as previously defined in that Opinion). This Statement also amends ARB No. 51, "Consolidated Financial Statements" to eliminate the exception to consolidation for a subsidiary for which control is likely to be temporary. The provisions of this Statement are effective for financial statements issued for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years, with early application encouraged. The provisions of this Statement generally are to be applied prospectively. The adoption of SFAS 144 did not have a significant impact on the Company's financial position or results of operations.

In June 2002, the FASB issued SFAS 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS 146 requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. This statement supercedes the guidance provided by Emerging Issues Task Force

94-3, "Liability Recognition for Certain Costs Incurred in a Restructuring." SFAS 146 is required to be adopted for exit or disposal activities initiated after March 31, 2003. The Company does not believe the adoption of SFAS 146 will have a significant impact on its financial position or results of operations.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others," an interpretation of FASB Statements No. 5, 57, and 107 and a rescission of FASB Interpretation No. 34. This Interpretation elaborates on the disclosures to be made by a guarantor in its interim and annul financial statements about its obligations under guarantees issued. The Interpretation also clarifies that a guarantor is required to recognize, at inception of a guarantee, a liability for the fair value of the obligation undertaken. The initial recognition and measurement provisions of the Interpretation are applicable to guarantees issued or modified after December 31, 2002 and are not expected to have a material effect on the Company's financial statements.

In December 2002, the FASB issued SFAS 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - An Amendment of FASB Statement 123." This Statement amends SFAS 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of

accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of SFAS 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. This statement requires that companies follow the prescribed format and provide the additional disclosures in their annual reports for fiscal years ending after December 15, 2002 and in financial reports containing condensed financial statements for interim periods beginning after December 15, 2002.

In January 2003, the FASB issued FASB Interpretation No. 46 (" FIN 46"), "Consolidation of Variable Interest Entities." FIN 46 clarifies the application of Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 applies immediately to variable interest entities ("VIE's") created after January 31, 2003, and to VIE's in which an enterprise obtains an interest after that date. It applies in the first fiscal year or interim period beginning after June 15, 2003, to VIE's in which an enterprise holds a variable interest that it acquired before February 1, 2003. FIN 46 applies to public enterprises as of the beginning of the applicable interim or annual period. We have identified no VIE's. Accordingly, the adoption of FIN 46 is not expected to have a material impact on the Company's consolidated financial position, liquidity, or results of operations.

ITEM 3. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures

Within 90 days prior to the date of this report, an evaluation was carried out of the effectiveness of the design and operation of the Company's "disclosure controls and procedures," as defined in, and pursuant to, Rule 13a-14 of the Security and Exchange Act of 1934 by the Company's president and principal executive officer and Treasurer and principal financial officer. Based on that evaluation these officers concluded that, as of the date of their evaluation, the Company's disclosure controls and procedures were effective to ensure that material information relating to the Company and the Company's subsidiary is made known to them.

(b) Changes in internal controls

There were no significant changes in the Company's internal controls or in other factors that could significantly affect these internal controls subsequent to the evaluation discussed above.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

99.01 Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

99.02 Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K:

No reports on Form 8-K were filed by the Company during the quarter for which this report is filed.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 13, 2003 DRYCLEAN USA, Inc.

By: /s/ Venerando J. Indelicato

Venerando J. Indelicato,
Treasurer and Chief Financial
Officer

I, Michael S. Steiner, certify that:

1. I have reviewed this Quarterly Report on Form 10-QSB of DRYCLEAN USA, Inc.;

2. Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report;

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

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

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

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

c) presented in this Quarterly Report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

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

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

6. The registrant's other certifying officers and I have indicated in this Quarterly Report whether or not there were significant changes in internal controls or in other factors that could

significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 13, 2003 /s/ Michael S. Steiner

Michael S. Steiner,
President and Principal Executive Officer

I, Venerando J. Indelicato, certify that:

1. I have reviewed this Quarterly Report on Form 10-QSB of DRYCLEAN USA, Inc.;

2. Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report;

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

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

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

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

c) presented in this Quarterly Report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

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

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

6. The registrant's other certifying officers and I have indicated in this Quarterly Report whether or not there were significant changes in internal controls or in other factors that could

significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 13, 2003 /s/ Venerando J. Indelicato

Venerando J. Indelicato,
Treasurer and Chief Financial
Officer

Exhibit Index

99.01 Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

99.02 Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 99.01

I, Michael S. Steiner, certify that:

1. I have reviewed this Quarterly Report on Form 10-QSB of DRYCLEAN USA, Inc.

2. Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report;

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

Date: May 13, 2003

/s/ Michael S. Steiner
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Michael S. Steiner
President and Principal Executive Officer

Exhibit 99.02

I, Venerando J. Indelicato, certify that:

1. I have reviewed this Quarterly Report on Form 10-QSB of DRYCLEAN USA, Inc.

2. Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report;

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

Date: May 13, 2003

/s/ Venerando J. Indelicato
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Venerando J. Indelicato,
Treasurer and Chief Financial
Officer