

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2006

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File No. 111596

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

Delaware
(State or other jurisdiction
of incorporation or organization)

58-1954497
(IRS Employer
Identification Number)

1940 N.W. 67th Place, Gainesville, FL
(Address of principal executive offices)

32653
(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 by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated Filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). 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 May 8, 2006
Common Stock, \$.001 Par Value	44,936,500 (excluding 988,000 shares held as treasury stock)

PERMA-FIX ENVIRONMENTAL SERVICES, INC.

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PERMA-FIX ENVIRONMENTAL SERVICES, INC.
CONSOLIDATED FINANCIAL STATEMENTS

PART I, ITEM 1

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

It is suggested that these consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2005.

The results of operations for the three months ended March 31, 2006, are not necessarily indicative of results to be expected for the fiscal year ending December 31, 2006.

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PERMA-FIX ENVIRONMENTAL SERVICES, INC.
CONSOLIDATED BALANCE SHEETS

<TABLE>
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(Amounts in Thousands, Except for Share Amounts)	March 31, 2006	December 31, 2005
	(Unaudited)	
	<C>	<C>
<S>		
ASSETS		
Current assets		
Cash	\$ 68	\$ 94
Restricted cash	501	511
Accounts receivable, net of allowance for doubtful accounts of \$467 and \$512	13,562	16,609
Unbilled receivables	13,975	11,948
Inventories	931	842
Prepaid expenses	2,346	2,777
Other receivables	25	37
Current assets of discontinued operations, net of allowance for doubtful accounts of \$70 and \$90	--	60
Total current assets	31,408	32,878
Property and equipment:		
Buildings and land	20,251	19,922
Equipment	31,179	31,120
Vehicles	4,433	4,452
Leasehold improvements	11,489	11,489
Office furniture and equipment	2,449	2,414
Construction-in-progress	904	850
	70,705	70,247
Less accumulated depreciation and amortization	(26,927)	(25,767)
Net property and equipment	43,778	44,480
Property and equipment of discontinued operations, net of accumulated depreciation of \$30 and \$80	716	806
Intangibles and other assets:		
Permits	13,246	13,188
Goodwill	1,330	1,330
Finite Risk Sinking Fund	4,361	3,339
Other assets	2,297	2,504
Total assets	\$ 97,136	\$ 98,525

</TABLE>

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

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

<TABLE>
<CAPTION>

(Amounts in Thousands, Except for Share Amounts)	March 31, 2006	December 31, 2005
	(Unaudited)	
<S>	<C>	<C>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 4,842	\$ 6,053
Current environmental accrual	717	768
Accrued expenses	11,472	11,666
Unearned revenue	3,629	5,169
Current liabilities of discontinued operations	302	628
Current portion of long-term debt	2,512	2,678
Total current liabilities	23,474	26,962
Environmental accruals	1,572	1,572
Accrued closure costs	5,281	5,245
Other long-term liabilities	2,599	2,462
Long-term liabilities of discontinued operations	3,149	3,149
Long-term debt, less current portion	11,906	10,697
Total long-term liabilities	24,507	23,125
Total liabilities	47,981	50,087
Commitments and Contingencies (see Note 4)	--	--
Preferred Stock of subsidiary, \$1.00 par value; 1,467,396 shares authorized, 1,284,730 shares issued and outstanding, liquidation value \$1.00 per share	1,285	1,285
Stockholders' equity:		
Common Stock, \$.001 par value; 75,000,000 shares authorized, 45,824,926 and 45,813,916 shares issued, including 988,000 shares held as treasury stock, respectively	46	46
Additional paid-in capital	82,219	82,180
Accumulated deficit	(32,533)	(33,211)
Less Common Stock in treasury at cost; 988,000 shares	(1,862)	(1,862)
Total stockholders' equity	47,870	47,153
Total liabilities and stockholders' equity	\$ 97,136	\$ 98,525

</TABLE>

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

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

<TABLE>
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(Amounts in Thousands, Except for Per Share Amounts)	Three Months Ended March 31,	
	2006	2005
<S>	<C>	<C>
Net revenues	\$ 21,118	\$ 21,430
Cost of goods sold	14,288	15,893
Gross profit	6,830	5,537
Selling, general and administrative expenses	5,241	4,665
Gain on disposal of property and equipment	3	--
Income from operations	1,586	872
Other income (expense):		
Interest income	33	1
Interest expense	(357)	(412)
Interest expense-financing fees	(49)	(111)
Other	(13)	(28)
Income from continuing operations before taxes	1,200	322
Income tax expense	72	213
Income from continuing operations	1,128	109
Loss from discontinued operations	(450)	(246)

Net income (loss)	678	(137)
Preferred Stock dividends	--	(31)
Net income (loss) applicable to Common Stock	\$ 678	\$ (168)
Net income (loss) per common share - basic		
Continuing operations	\$.03	\$ --
Discontinued operations	(.01)	--
Net income per common share	\$.02	\$ --
Net income (loss) per common share - diluted		
Continuing operations	\$.03	\$ --
Discontinued operations	(.01)	--
Net income per common share	\$.02	\$ --
Number of shares and potential common shares used in net income (loss) per common share:		
Basic	44,831	41,778
Diluted	45,349	44,539

</TABLE>

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

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

<TABLE>
<CAPTION>

(Amounts in Thousands)	Three Months Ended March 31,	
	2006	2005
<S>	<C>	<C>
Cash flows from operating activities		
Net income (loss)	\$ 678	\$ (137)
Adjustments to reconcile net income (loss) to cash provided by (used in) operations:		
Depreciation and amortization	1,194	1,187
Provision for bad debt and other reserves	(41)	(71)
Gain on disposal of property and equipment	3	--
Issuance of Common Stock for services	10	8
Share based compensation	29	--
Discontinued operations	(291)	(118)
Changes in assets and liabilities:		
Accounts receivable	3,099	145
Unbilled receivables	(2,026)	(434)
Prepaid expenses, inventories and other assets	1,325	(538)
Accounts payable, accrued expenses, and unearned revenue	(3,644)	242
Net cash provided by operations	336	284
Cash flows from investing activities:		
Purchases of property and equipment, net	(496)	(466)
Proceeds from sale of plant, property and equipment	1	--
Change in restricted cash, net	9	(1)
Change in finite risk sinking fund	(1,022)	(991)
Discontinued operations	104	(12)
Net cash used in investing activities	(1,404)	(1,470)
Cash flows from financing activities:		
Net borrowings of revolving credit	1,573	1,484
Principal repayments of long-term debt	(531)	(483)
Proceeds from issuance of stock	--	48
Net cash provided by financing activities	1,042	1,049
Decrease in cash	(26)	(137)
Cash at beginning of period	94	215
Cash at end of period	\$ 68	\$ 78
Supplemental disclosure		
Interest paid	\$ 244	\$ 239
Non-cash investing and financing activities:		
Gain on interest rate swap	--	17
Long-term debt incurred for purchase of property and equipment	--	281

</TABLE>

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

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PERMA-FIX ENVIRONMENTAL SERVICES, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(Unaudited, for the three months ended March 31, 2006)

<TABLE>
<CAPTION>

(Amounts in thousands, except for share amounts)	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Common Stock Held In Treasury	Total Stockholders' Equity
	Shares	Amount				
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 2005	45,813,916	\$ 46	\$ 82,180	\$ (33,211)	\$ (1,862)	\$ 47,153
Net income	--	--	--	678	--	678
Issuance of Common Stock for cash and services	--	--	10	--	--	10
Issuance of Common Stock upon cashless exercise of Warrants	11,010	--	--	--	--	--
Share based compensation	--	--	29	--	--	29
Balance at March 31, 2006	45,824,926	\$ 46	\$ 82,219	\$ (32,533)	\$ (1,862)	\$ 47,870

</TABLE>

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

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

MARCH 31, 2006
(Unaudited)

Reference is made herein to the notes to consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2005.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

RECLASSIFICATIONS

Certain prior period amounts have been reclassified to conform with the current period presentation.

STOCK-BASED COMPENSATION

On January 1, 2006, we adopted Financial Accounting Standards Board ("FASB") Statement No. 123 (revised) ("SFAS 123R"), Share-Based Payment, a revision of FASB Statement No. 123, Accounting for Stock-Based Compensation, superseding APB Opinion No. 25, Accounting for Stock Issued to Employees, and its related implementation guidance. This Statement establishes accounting standards for entity exchanges of equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative upon adopting SFAS 123R.

We adopted SFAS 123R utilizing the modified prospective method in which compensation cost is recognized beginning with the effective date based on SFAS 123R requirements for all (a) share-based payments granted after the effective date and (b) awards granted to employees prior to the effective date of SFAS 123R that remain unvested on the effective date. In accordance with the modified prospective method, the consolidated financial statements for prior periods have not been restated to reflect, and do not include, the impact of SFAS 123R.

Prior to our adoption of SFAS 123R, on July 28, 2005, the Compensation and Stock Option Committee of the Board of Directors approved the acceleration of vesting for all the outstanding and unvested options to purchase Common Stock awarded to employees as of the approval date. The Board of Directors approved the accelerated vesting of these options based on the belief that it was in the best interest of our stockholders to reduce future compensation expense that would otherwise be required in the statement of operations upon adoption of SFAS 123R, effective beginning January 1, 2006. The accelerated vesting triggered the re-measurement of compensation cost under current accounting standards. In the event a holder of an accelerated vesting option terminates employment with us prior to the end of the original vesting term of such options, we will recognize the compensation expense at the time of termination.

As of March 31, 2006, we had 3,283,250 employee stock options outstanding, which included 2,405,250 that were outstanding and fully vested at December 31, 2005, and 878,000 employee stock options approved and granted on March 2, 2006. The employee stock options outstanding, at December 31, 2005 are ten year options, issuable at exercise prices from \$1.00 to \$3.00 per share, and expiration dates from May 24, 2006 to February 27, 2013. The employee stock option grants in March 2006 are six year

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options with a three year vesting period, with an exercise price of \$1.86 per share. Additionally, we had 434,000 director stock options outstanding, of which 72,000 became fully vested in January 2006.

Pursuant to the adoption of SFAS 123R, during the three-month period ended March

31, 2006, we recorded stock-based compensation expense for the director stock options granted prior to, but not yet vested, as of January 1, 2006, as if the fair value method required for pro forma disclosure under SFAS 123 were in effect for expense recognition purposes. This resulted in an expense of approximately \$11,000. For the stock option grants on March 2, 2006, we have estimated compensation expense based on the fair value at grant date using the Black-Scholes valuation model, and will recognize compensation expense using a straight-line amortization method over the three year vesting period. As SFAS 123R requires that stock-based compensation expense be based on options that are ultimately expected to vest, stock-based compensation for the three-month period ended March 31, 2006 has been reduced for estimated forfeitures at a rate of 5.7%. When estimating forfeitures, we consider trends of actual option forfeitures. For the three months ended March 31, 2006, we recorded approximately \$18,000 in employee compensation expense from the March 2006 grants, which included with the director compensation expense, impacted our results of operations by \$29,000, for stock-based compensation expense for the three-month period ended March 31, 2006.

We calculated a fair value of \$0.868 for each option grant on the date of grant using the Black-Scholes option pricing model with the following assumptions used for the March 2, 2006 grants: no dividend yield; an expected life of four years; expected volatility of 54.0%; and a risk free interest rate of 4.70%. No options were granted in the corresponding first quarter of 2005.

Our computation of expected volatility for the first quarter of 2006 is based on historical volatility from our traded common stock, as was the computation of expected volatility on grants prior to 2006. Due to our change in the contractual term and vesting period, we utilized the simplified method, defined in the Securities and Exchange Commission's Staff Accounting Bulletin No. 107, to calculate the expected term for our 2006 grants. The interest rate for periods within the contractual life of the award is based on the U.S. Treasury yield curve in effect at the time of grant.

Prior to the adoption of SFAS 123R, we furnished the pro forma disclosures required under SFAS No. 123, as amended by SFAS No. 148, "Accounting for Stock-Based Compensation -- Transition and Disclosures." Employee stock-based compensation expense recognized under SFAS 123R was not reflected in our results of operations for the three-month period ended March 31, 2005 for employee stock option grants as all options were granted with an exercise price equal to the market value of the underlying common stock on the date of grant. Previously reported amounts have not been restated.

Under the accounting provisions of SFAS 123, our net loss and net loss per share, for the three months ended March 31, 2005 would have been increased to the pro forma amounts indicated below (in thousands except for per share amounts):

(Unaudited)	Three Months Ended March 31, 2005

Net income from continuing operations applicable to Common Stock, as reported	\$ 78
Deduct: Total Stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(91)

Pro forma net loss from continuing operations applicable to Common Stock	\$ (13)
=====	
Income (loss) per share:	
Basic and diluted - as reported	\$ --
=====	
Basic and diluted - pro-forma	\$ --
=====	

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2. EARNINGS PER SHARE

Basic EPS is based on the weighted average number of shares of Common Stock outstanding during the period. Diluted EPS includes the dilutive effect of potential common shares.

The following is a reconciliation of basic net income (loss) per share to diluted net income (loss) per share for the three months ended March 31, 2006 and 2005:

<TABLE>
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(Amounts in Thousands, Except for Per Share Amounts)	Three Months Ended March 31,	
	2006	2005

<S>	<C>	<C>
Earnings per share from continuing operations		

Income from continuing operations	\$ 1,128	\$ 109
Preferred stock dividends	--	(31)
Income from continuing operations applicable to Common Stock	1,128	78
Effect of dilutive securities:		
Preferred Stock dividends	--	31

Income - diluted	\$ 1,128	\$ 109
=====		
Basic income per share	\$.03	\$ --
=====		

Diluted income per share	\$.03	\$ --
Earnings per share from discontinued operations		
Loss - basic and diluted	\$ (450)	\$ (246)
Basic loss per share	\$ (.01)	\$ --
Diluted loss per share	\$ (.01)	\$ --
Weighted average shares outstanding - basic	44,831	41,778
Potential shares exercisable under stock option plans	211	250
Potential shares upon exercise of Warrants	307	844
Potential shares upon conversion of Preferred Stock	--	1,667
Weighted average shares outstanding - diluted	45,349	44,539
Potential shares excluded from above weighted average share calculations due to their anti-dilutive effect include:		
Upon exercise of options	2,258	1,339
Upon exercise of Warrants	1,776	1,776

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3. LONG TERM DEBT

Long-term debt consists of the following at March 31, 2006, and December 31, 2005:

<TABLE>
<CAPTION>

(Amounts in Thousands)	March 31, 2006	December 31, 2005
	(Unaudited)	
<S>	<C>	<C>
Revolving Credit facility dated December 22, 2000, borrowings based upon eligible accounts receivable, subject to monthly borrowing base calculation, variable interest paid monthly at prime rate plus 1/2% (8.25% at March 31, 2006), balance due in May 2008.	\$ 4,020	\$ 2,447
Term Loan dated December 22, 2000, payable in equal monthly installments of principal of \$83, balance due in May 2008, variable interest paid monthly at prime rate plus 1% (8.75% at March 31, 2006).	6,250	6,500
Promissory Note dated June 25, 2001, payable in semiannual installments on June 30 and December 31 through December 31, 2008, variable interest accrues at the applicable law rate determined under the IRS Code Section (10.0% on March 31, 2006) and is payable in one lump sum at the end of installment period.	2,234	2,234
Installment Agreement dated June 25, 2001, payable in semiannual installments on June 30 and December 31 through December 31, 2008, variable interest accrues at the applicable law rate determined under the IRS Code Section (10.0% on March 31, 2006) and is payable in one lump sum at the end of installment period.	553	553
Various capital lease and promissory note obligations, payable 2006 to 2010, interest at rates ranging from 5.0% to 15.7%.	1,361	1,641
	14,418	13,375
Less current portion of long-term debt	2,512	2,678
	\$ 11,906	\$ 10,697

</TABLE>

REVOLVING CREDIT AND TERM LOAN AGREEMENT

On December 22, 2000, we entered into a Revolving Credit, Term Loan and Security Agreement ("Agreement") with PNC Bank, National Association, a national banking association ("PNC") acting as agent ("Agent") for lenders, and as issuing bank, as amended. The Agreement provides for a term loan ("Term Loan") in the amount of \$7,000,000, which requires monthly installments of \$83,000 with the remaining unpaid principal balance due on May 31, 2008. The Agreement also provides for a revolving line of credit ("Revolving Credit") with a maximum principal amount outstanding at any one time of \$18,000,000, as amended. The Revolving Credit advances are subject to limitations of an amount up to the sum of (a) up to 85% of Commercial Receivables aged 90 days or less from invoice date, (b) up to 85% of Commercial Broker Receivables aged up to 120 days from invoice date, (c) up to 85% of acceptable Government Agency Receivables aged up to 150 days from invoice date, and (d) up to 50% of acceptable unbilled amounts aged up to 60 days, less (e) reserves the Agent reasonably deems proper and necessary. As of March 31, 2006, the excess availability under our Revolving Credit was \$8,667,000 based on our eligible receivables.

Pursuant to the Agreement, as amended, the Term Loan bears interest at a floating rate equal to the prime rate plus 1%, and the Revolving Credit at a floating rate equal to the prime rate plus 1/2%. The loans are subject to a prepayment fee of 1% until March 25, 2006, and 1/2% until March 25, 2007.

PROMISSORY NOTE

In conjunction with our acquisition of M&EC, M&EC issued a promissory note for a principal amount of \$3.7 million to Performance Development Corporation ("PDC"), dated June 25, 2001, for monies

advanced to M&EC for certain services performed by PDC. The promissory note is payable over eight years on a semiannual basis on June 30 and December 31. The principal repayments for 2006 will be approximately \$400,000 semiannually. Interest is accrued at the applicable law rate ("Applicable Rate") pursuant to the provisions of section 6621 of the Internal Revenue Code of 1986 as amended (10% on March 31, 2006) and payable in one lump sum at the end of the loan period. On March 31, 2006, the outstanding balance was \$3,718,000 including accrued interest of approximately \$1,484,000. Pursuant to the agreement the accrued interest is to be paid at the end of the term, and as such, is recorded as a long-term liability. PDC has directed M&EC to make all payments under the promissory note directly to the Internal Revenue Service ("IRS") to be applied to PDC's obligations under its installment agreement with the IRS.

INSTALLMENT AGREEMENT

Additionally, M&EC entered into an installment agreement with the IRS for a principal amount of \$923,000 effective June 25, 2001, for certain withholding taxes owed by M&EC. The installment agreement is payable over eight years on a semiannual basis on June 30 and December 31. The principal repayments for 2006 will be approximately \$100,000 semiannually. Interest is accrued at the Applicable Rate, and is adjusted on a quarterly basis and payable in lump sum at the end of the installment period. On March 31, 2006, the rate was 10%. On March 31, 2006, the outstanding balance was \$910,000 including accrued interest of approximately \$357,000. The interest expense is recorded as a long-term liability, pursuant to the terms of the agreement.

4. COMMITMENTS AND CONTINGENCIES

HAZARDOUS WASTE

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

LEGAL

In the normal course of conducting our business, we are involved in various litigations. There has been no material change in legal proceedings from those disclosed previously in the Company's Form 10-K for the year ended December 31, 2005.

INSURANCE

We believe we maintain insurance coverage adequate for our needs and which is similar to, or greater than, the coverage maintained by other companies of our size in the industry. There can be no assurances, however, those liabilities, which may be incurred by us, will be covered by our insurance or that the dollar amount of such liabilities, which are covered, will not exceed our policy limits. Under our insurance contracts, we usually accept self-insured retentions, which we believe is appropriate for our specific business risks. We are required by EPA regulations to carry environmental impairment liability insurance providing coverage for damages on a claims-made basis in amounts of at least \$1,000,000 per occurrence and \$2,000,000 per year in the aggregate. To meet the requirements of customers, we have exceeded these coverage amounts.

In June 2003, we entered into a 25-year finite risk insurance policy, which provides financial assurance to the applicable states for our permitted facilities in the event of unforeseen closure. Prior to obtaining or renewing operating permits we are required to provide financial assurance that guarantees to the states that in the event of closure our permitted facilities will be closed in accordance with the regulations. The policy provides \$35 million of financial assurance coverage of which the coverage amount totals \$28,766,000 at March 31, 2006, and has available capacity to allow for annual inflation and other

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performance and surety bond requirements. This finite risk insurance policy required an upfront payment of \$4.0 million, of which \$2,766,000 represented the full premium for the 25-year term of the policy, and the remaining \$1,234,000, was deposited in a sinking fund account representing a restricted cash account. In February 2006, we paid our third of nine required annual installments of \$1,004,000, of which \$991,000 was deposited in the sinking fund account, the remaining \$13,000 represents a terrorism premium. As of March 31, 2006, we have recorded \$4,361,000 in our sinking fund on the balance sheet, which includes interest earned of \$154,000 on the sinking fund as of March 31, 2006. Interest income for the three months ended March 31, 2006, was \$31,000.

5. DISCONTINUED OPERATIONS

PPF

Effective November 8, 2005, our Board of Directors approved the discontinuation of operations at the facility in Pittsburgh, Pennsylvania, owned by our subsidiary, Perma-Fix of Pittsburgh, Inc. ("PPF"). The decision to discontinue operations at PPF was due to our reevaluation of the facility and our ability to achieve profitability at the facility in the near term. During February 2006, we completed the remediation of the leased property and the equipment, and released the property back to the owner. The operating results for the current and prior periods have been reclassified to discontinued operations in our Consolidated Statements of Operations.

PPF recorded a loss of \$342,000 for the three months ended March 31, 2006, and revenue of \$177,000 and an operating loss of \$79,000 for the three months ended March 31, 2005. The loss in 2006, was partially due to early termination costs of \$200,000 associated with our early termination of our leased property. The assets and liabilities related to PPF have been reclassified into separate categories in the Consolidated Balance Sheets as of March 31, 2006 and December 31, 2005. The assets are recorded at their net realizable value, and consist of

equipment of \$116,000. Liabilities as of March 31, 2006, consist of accounts payable of \$13,000.

PFMI

On October 4, 2004, our Board of Directors approved the discontinuation of operations at the facility in Detroit, Michigan, owned by our subsidiary, Perma-Fix of Michigan, Inc. ("PFMI"). The decision to discontinue operations at PFMI was principally a result of two fires that significantly disrupted operations at the facility in 2003, and the facility's continued drain on the financial resources of our Industrial segment. We are in the process of remediating the facility and evaluating our available options for future use or sale of the property. The operating activities for the current and prior periods have been reclassified to discontinued operations in our Consolidated Statements of Operations.

PFMI recorded a loss of \$108,000 for the three months ended March 31, 2006, and a loss of \$167,000 for the three months ended March 31, 2005. During the last half of 2005 we settled the three insurance claims we submitted relative to the two fires at PFMI, a property claim for the first fire and a property claim and business interruption claim for the second fire. During 2004, we recorded a receivable of \$1,585,000 based on negotiations with the insurance carrier on the business interruption claim. The income from recording this receivable was recorded as a reduction of "loss from discontinued operations" and reduced the operating losses for 2004. During 2005, we received insurance proceeds and claim settlements of \$3,253,000 for settlement of all three claims. Of these proceeds, \$1,476,000 was recorded as income from discontinued operations during the third quarter of 2005, which is net of \$192,000 paid for public adjustor fees.

Assets and liabilities related to the discontinued operation have been reclassified to separate categories in the Consolidated Balance Sheets as of March 31, 2006 and December 31, 2005. As of March 31, 2006, assets are recorded at their estimated net realizable values, and consist of property and equipment of

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\$600,000. Liabilities as of March 31, 2006, consist of accounts payable and current accrued expenses of \$15,000, environmental accruals of \$1,865,000, and a pension payable of \$1,558,000. The pension plan withdrawal liability, is a result of the termination of the union employees of PFMI. The PFMI union employees participate in the Central States Teamsters Pension Fund ("CST"), which provides that a partial or full termination of union employees may result in a withdrawal liability, due from PFMI to CST. The recorded liability is based upon a demand letter received from CST in August 2005, that provided for the payment of \$22,000 per month over an eight year period. This obligation is recorded as a long-term liability, with a current portion of \$125,000 that we expect to pay over the next year.

As a result of the discontinuation of operations at the PFMI facility, we are required to complete certain closure and remediation activities pursuant to our RCRA permit. Also, in order to close and dispose of the facility, we may have to complete certain additional remediation activities related to the land, building, and equipment. The level and cost of the clean-up and remediation will be determined by state mandated requirements, the extent to which are not known at this time. Also, impacting this estimate is the level of contamination discovered, as we begin remediation, and the related clean-up standards which must be met in order to dispose of or sell the facility. We engaged our engineering firm, SYA, to perform an analysis and related estimate of the cost to complete the RCRA portion of the closure/clean-up costs and the potential long-term remediation costs. Based upon this analysis, we originally estimated the cost of this environmental closure and remediation liability to be \$2,464,000. We have spent approximately \$599,000 for closure costs since September 30, 2004, of which approximately \$44,000 has been spent during the first quarter of 2006, and \$439,000 was spent in 2005. We have \$1,865,000 accrued for the closure, as of March 31, 2006, and we anticipate spending \$149,000 in 2006 with the remainder over the next two to five years.

6. RELATED PARTY TRANSACTION

Lawrence Properties LLC

During February 2006, our Board of Directors approved and Perma-Fix Environmental Services, Inc. entered into a lease agreement, whereby we will lease property from, Lawrence Properties LLC, a company jointly owned by the president of Schreiber, Yonley and Associates, Robert Schreiber, Jr. and his spouse. Mr. Schreiber is a member of our executive management team. The lease is for a term of five years and will begin on June 1, 2006. We will pay monthly rent expense of \$10,000, which we believe is lower than costs charged by unrelated third party landlords. Additional rent would be assessed for any increases over the initial lease commencement year, to property taxes or assessments and property and casualty insurance premiums.

Mill Creek Environmental Services, Inc.

During 2005, we utilized the remediation and analytical services of Mill Creek Environmental Services, Inc. ("Mill Creek"), which is owned principally by the son and daughter-in-law of our CEO, Dr. Louis Centofanti. Mill Creek provided assistance in developing remediation plans, completing a permit renewal and modification application, and groundwater investigations at one of our remediation sites. During 2006, we greatly reduced our reliance on Mill Creek's services. Our purchases from or services provided to us by Mill Creek for the three month period ended March 31, 2006, were \$3,000, and \$230,000 for the year ended December 31, 2005. We believe that the rates we receive are competitive and comparable to rates we would receive from unaffiliated third party vendors.

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7. OPERATING SEGMENTS

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

- o from which we may earn revenue and incur expenses;
- o whose operating results are regularly reviewed by the segment president to make decisions about resources to be allocated to the segment and assess its performance; and
- o for which discrete financial information is available.

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

Our operating segments are defined as follows:

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

The Nuclear Waste Management Services segment provides treatment, storage, processing and disposal of nuclear, low-level radioactive, mixed (waste containing both hazardous and non-hazardous constituents), hazardous and non-hazardous waste through our three facilities; Perma-Fix of Florida, Inc., Diversified Scientific Services, Inc. and East Tennessee Materials and Energy Corporation.

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

The table below presents certain financial information in thousands by business segment as of and for the three months ended March 31, 2006 and 2005.

SEGMENT REPORTING FOR THE QUARTER ENDED MARCH 31, 2006

<TABLE>
<CAPTION>

	Industrial	Nuclear	Engineering	Segments Total	Corporate (2)	Consolidated Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenue from external customers	\$ 8,222	\$ 12,158 (3)	\$ 738	\$ 21,118	\$ --	\$ 21,118
Intercompany revenues	391	673	110	1,174	--	1,174
Gross profit	1,777	4,821	232	6,830	--	6,830
Interest income	2	--	--	2	31	33
Interest expense	28	112	--	140	217	357
Interest expense-financing fees	1	--	--	1	48	49
Depreciation and amortization	441	732	10	1,183	11	1,194
Segment profit (loss)	(89)	2,706	91	2,708	(1,580)	1,128
Segment assets(1)	23,350	62,411	2,183	87,944	9,192 (4)	97,136
Expenditures for segment assets	194	264	25	483	13	496
Total long-term debt	1,018	3,109	21	4,148	10,270 (5)	14,418

SEGMENT REPORTING FOR THE QUARTER ENDED MARCH 31, 2005

<TABLE>
<CAPTION>

	Industrial	Nuclear	Engineering	Segments Total	Corporate (2)	Consolidated Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenue from external customers	\$ 9,771	\$ 10,896 (3)	\$ 763	\$ 21,430	\$ --	\$ 21,430
Intercompany revenues	542	746	115	1,403	--	1,403
Gross profit	1,836	3,546	155	5,537	--	5,537
Interest income	1	--	--	1	--	1
Interest expense	207	174	2	383	29	412
Interest expense-financing fees	--	1	--	1	110	111
Depreciation and amortization	471	696	10	1,177	10	1,187
Segment profit (loss)	(166)	1,631	31	1,496	(1,387)	109
Segment assets(1)	25,974	61,561	2,279	89,814	11,369 (4)	101,183
Expenditures for segment assets	430	300	7	737	10	747
Total long-term debt	1,636	7,775	29	9,440	10,797 (5)	20,237

- (1) Segment assets have been adjusted for intercompany accounts to reflect actual assets for each segment.
- (2) Amounts reflect the activity for corporate headquarters not included in the segment information.
- (3) The consolidated revenues within the Nuclear segment include the Bechtel Jacobs revenues for the quarter ended March 31, 2006, which total \$2,013,000 or (9.5%) of total revenue and \$1,646,000 (or 7.7%) for the same quarter in 2005.
- (4) Amount includes assets from Perma-Fix of Michigan, Inc., and Perma-Fix of Pittsburgh, Inc. two discontinued operations from the Industrial segment,

of approximately \$716,000 and \$2,701,000 as of March 31, 2006 and 2005, respectively.

- (5) Includes the balance outstanding from our revolving line of credit and term loan, which is utilized by all of our segments.

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

FORWARD-LOOKING STATEMENTS

Certain statements contained within this report may be deemed "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (collectively, the "Private Securities Litigation Reform Act of 1995"). All statements in this report other than a statement of historical fact are forward-looking statements that are subject to known and unknown risks, uncertainties and other factors, which could cause actual results and performance of the Company to differ materially from such statements. The words "believe," "expect," "anticipate," "intend," "will," and similar expressions identify forward-looking statements. Forward-looking statements contained herein relate to, among other things,

- o improve our operations and liquidity;
- o anticipated improvement in the financial performance of the Company;
- o ability to comply with the Company's general working capital requirements;
- o ability to be able to continue to borrow under the Company's revolving line of credit;
- o ability to generate sufficient cash flow from operations to fund all costs of operations and remediation of certain formerly leased property in Dayton, Ohio, and the Company's facilities in Memphis, Tennessee; Detroit, Michigan; Valdosta, Georgia; and Tulsa, Oklahoma;
- o ability to remediate certain contaminated sites for projected amounts;
- o ability to fund budgeted capital expenditures during 2006;
- o increasing other sources of revenue at M&EC;
- o growth of our Nuclear segment;
- o ability to close and remediate the Michigan facility for the estimated amounts; and
- o no expectation to close any facilities, other than the Michigan and Pittsburgh facilities.

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:

- o general economic conditions;
- o material reduction in revenues;
- o inability to collect in a timely manner a material amount of receivables;
- o increased competitive pressures;
- o the ability to maintain and obtain required permits and approvals to conduct operations;
- o the ability to develop new and existing technologies in the conduct of operations;
- o ability to retain or renew certain required permits;
- o discovery of additional contamination or expanded contamination at a certain Dayton, Ohio, property formerly leased by the Company or the Company's facilities at Memphis, Tennessee; Valdosta, Georgia; Detroit, Michigan; and Tulsa, Oklahoma, which would result in a material increase in remediation expenditures;
- o changes in federal, state and local laws and regulations, especially environmental laws and regulations, or in interpretation of such;
- o potential increases in equipment, maintenance, operating or labor costs;
- o management retention and development;
- o financial valuation of intangible assets is substantially less than expected;
- o termination of the Oak Ridge Contracts as a result of our lawsuit against Bechtel Jacobs or otherwise;

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- o the requirement to use internally generated funds for purposes not presently anticipated;
- o inability to continue to be profitable on an annualized basis;
- o the inability of the Company to maintain the listing of its Common Stock on the NASDAQ;
- o the determination that PFMI, PFSG, or PFO was responsible for a material amount of remediation at certain superfund sites;
- o terminations of contracts with federal agencies or subcontracts involving federal agencies, or reduction in amount of waste delivered to the Company under the contracts or subcontracts; and
- o determination that PFD is required to have a Title V air permit in connection with its operations, or is determined to have violated environmental laws or regulations in a material manner.

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

OVERVIEW

We provide services through three reportable operating segments. The Industrial

Waste Management Services segment ("Industrial segment") is engaged in on-site and off-site treatment, storage, disposal and processing of a wide variety of by-products and industrial, hazardous and non-hazardous wastes, and with the recent acquisitions, added 24-hour emergency response, vacuum services and marine and industrial maintenance services. The segment operates and maintains facilities and businesses in the waste by-product brokerage, on-site treatment and stabilization, and off-site blending, treatment and disposal industries. The Nuclear Waste Management Services segment ("Nuclear segment") provides treatment, storage, processing and disposal services of mixed waste (waste containing both hazardous and low-level radioactive materials) and low-level radioactive wastes, including research, development and on-site and off-site waste remediation. The presence of nuclear and low-level radioactive constituents within the waste streams processed by this segment create different and unique operational, processing and permitting/licensing requirements from those contained within the Industrial segment. Our Consulting Engineering Services segment ("Engineering segment") provides a wide variety of environmental related consulting and engineering services to both industry and government. These services include 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.

The first quarter of 2006 reflected a revenue decrease of \$312,000 or 1.5% from the same period of 2005. This decrease was primarily from the Industrial segment, which saw a decrease of 15.9%. This was due to the loss of the home improvement chain contract, in November 2005, and the expiration of a government contract in the spring of 2005. However, due to the segment's focus on more profitable waste streams and their effort to cut costs, the Industrial segment gross profit as a percentage of revenue increased to 21.6%, compared to 18.8% for the first quarter of 2005. We continue to pursue beneficial contracts and revenues, as well as, evaluating additional cost savings. Partially offsetting the decrease was an increase in the Nuclear segment's revenues of 11.6% over the first quarter of 2005. We are attempting to continue the growth of our Nuclear segment by among other things, expansion within the mixed waste market, as well as our receipts of more complex waste. We continue to see growth, as demonstrated by the contract we received for \$9.4 million during the first quarter of 2006 for new mixed waste streams not previously handled by our Nuclear segment. We recognized approximately \$187,000 in revenue from this contract during March 2006. We are further hopeful that the receipt recently by our Nuclear segment of a certification to dispose of certain types of nuclear related waste at the Nevada Test Site will assist in the growth of our Nuclear segment. Our interest expense and interest expense - financing fees continue to decrease as our operations and cash flow improve and we are able to reduce our long term debt. Our combined efforts to improve margins and cut costs resulted in our experiencing record income from continuing operations for the first quarter of 2006, of \$1,128,000, which is generally our weakest period during the year.

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RESULTS OF OPERATIONS

The reporting of financial results and pertinent discussions are tailored to three reportable segments: Industrial, Nuclear and Engineering. The table below should be used when reviewing management's discussion and analysis for the three months ended March 31, 2006 and 2005:

<TABLE>
<CAPTION>

Consolidated (amounts in thousands)	Three Months Ended March 31,			
	2006	%	2005	%
<S>	<C>	<C>	<C>	<C>
Net Revenues	\$ 21,118	100.0	\$ 21,430	100.0
Cost of good sold	14,288	67.7	15,893	74.2
Gross Profit	6,830	32.3	5,537	25.8
Selling, general and administrative	5,241	24.8	4,665	21.8
Gain on disposal of property and equipment	3	--	--	--
Income from operations	\$ 1,586	7.5	\$ 872	4.0
Interest expense	(357)	(1.7)	(412)	(1.9)
Interest expense-financing fees	(49)	(.2)	(111)	(.5)
Other	(13)	(.1)	(28)	(.1)
Income from continuing operations	1,128	5.3	109	.5
Preferred Stock dividends	--	--	(31)	(.1)

</TABLE>

SUMMARY - THREE MONTHS ENDED MARCH 31, 2006 AND 2005

Net Revenue

Consolidated revenues increased for the three months ended March 31, 2006, compared to the three months ended March 31, 2005, as follows:

<TABLE>
<CAPTION>

(In thousands)	2006	% Revenue	2005	% Revenue	Change	% Change
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Nuclear						
Government waste	\$ 5,005	23.7	\$ 5,166	24.1	\$ (161)	(3.1)
Hazardous/Non-hazardous	800	3.8	1,551	7.2	(751)	(48.4)
Other nuclear waste	4,340	20.6	2,533	11.8	1,807	71.3
Bechtel Jacobs	2,013	9.5	1,646	7.7	367	22.3

Total	12,158	57.6	10,896	50.8	1,262	11.6
Industrial Revenues						
Commercial waste	7,531	35.6	8,451	39.4	(920)	(10.9)
Government services	691	3.3	1,320	6.2	(629)	(47.7)
Total	8,222	38.9	9,771	45.6	(1,549)	(15.9)
Engineering	738	3.5	763	3.6	(25)	(3.3)
Total	\$ 21,118	100.0	\$ 21,430	100.0	\$ (312)	(1.5)

</TABLE>

The Nuclear segment realized revenue growth for the three months ended March 31, 2006 over the same period in 2005. The increase is principally due to the segments continued expansion within the mixed waste market, which includes an increase in receipts of higher activity waste liquids, a more complex and difficult waste stream, that requires greater technical expertise. Our revenues from Bechtel Jacobs increased slightly as a result of our continued efforts to process the backlog of their waste, and assist them in completing their milestones. The Nuclear segment experienced a decrease in their hazardous and non-hazardous revenues due to the completion in 2005 of a special event soil project performed for existing industrial customers. The segment additionally experienced a slight decrease in government waste revenues, as they focused on other projects. The backlog of stored waste at March 31, 2006, was

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\$13,640,000 compared to \$16,374,000 at December 31, 2005. This decrease reflects our efforts to process and dispose of the increased waste receipts during the last quarter of 2005. We expect backlog levels to continue to fluctuate within the same range throughout 2006, subject to the complexity of the waste streams and timing of receipts and processing of materials. This level of backlog material continues to position the Nuclear segment well, from a processing revenue perspective. The Industrial segment experienced a decrease in revenues for the quarter partially as a result of the loss of our contract with a national home improvement chain in November 2005. The segment could see continued reduction in revenue in 2006 as the segment works to replace the loss of the retail customer with other sources of revenue. The Industrial segment also saw a decrease in revenue from government services due to the expiration of one of our government contracts, in the spring of 2005, and the rebid and subsequent lower revenues related to another government contract. The Engineering segment experienced a small decrease in revenue during the first quarter of 2006, as a result of the completion of certain special projects during the first quarter of 2005.

Cost of Goods Sold

Cost of goods sold decreased for the quarter ended March 31, 2006, compared to the quarter ended March 31, 2005, as follows:

(In thousands)	2006	% Revenue	2005	% Revenue	Change
Nuclear	\$ 7,337	60.3	\$ 7,350	67.5	\$ (13)
Industrial	6,445	78.4	7,935	81.2	(1,490)
Engineering	506	68.6	608	79.7	(102)
Total	\$ 14,288	67.7	\$ 15,893	74.2	\$ (1,605)

We saw a decrease in cost of goods sold throughout all segments, as we focus to streamline costs. The Nuclear segment showed a slight decrease in cost of goods sold despite the segment's increased revenue. This is a result of the segment undertaking waste streams that are more complex in nature and have higher radioactivity levels which contain greater processing risk and the potential for higher margins. This reduction is evidence of the segment's success in its efforts to process these more complex waste streams. The decrease in the Industrial segment is partially a result of the decrease in revenue, but is also reflective of various changes made during the quarter to streamline operations to operate more regionally, thus cutting transportation costs and other related expenses. Additionally, we made specific efforts to reduce costs within the segment and focus on more profitable waste streams. The Engineering segment saw a decrease in their cost of goods sold as a result of lower direct bill staffing levels during the first quarter of 2006 as compared to the same period in 2005. Included within cost of goods sold is depreciation and amortization expense of \$1,109,000 and \$1,096,000 for the three months ended March 31, 2006, and 2005, respectively.

Gross Profit

Gross profit for the quarter ended March 31, 2006, increased over 2005, as follows:

(In thousands)	2006	% Revenue	2005	% Revenue	Change
Nuclear	\$ 4,821	39.7	\$ 3,546	32.5	\$ 1,275
Industrial	1,777	21.6	1,836	18.8	(59)
Engineering	232	31.4	155	20.3	77
Total	\$ 6,830	32.3	\$ 5,537	25.8	\$ 1,293

The resulting increase in gross profit in the Nuclear segment is partially a result of the increased revenue for the quarter as compared to 2005. Additionally, the gross profit as a percentage of revenue increased,

due to the type of waste streams being handled, as well as our becoming more efficient at the treatment of the waste. The Industrial segment saw a minor decrease in gross profit as a result of the reduced revenues, but the segments focus on more profitable waste streams, cutting costs and streamlining the processes was reflected in an increase in the gross profit percentage. The Engineering segment gross profit increased slightly, as did their gross profit percentage, due to their reduction of fixed payroll costs from the lower staffing levels discussed above.

Selling, General and Administrative

Selling, general and administrative ("SG&A") expenses increased for the three months ended March 31, 2006, as compared to the corresponding period for 2005, as follows:

(In thousands)	2006	% Revenue	2005	% Revenue	Change
Administrative	\$ 1,307	--	\$ 1,248	--	\$ 59
Nuclear	1,955	16.1	1,497	13.7	458
Industrial	1,839	22.4	1,797	18.4	42
Engineering	140	19.0	123	16.1	17
Total	\$ 5,241	24.8	\$ 4,665	21.8	\$ 576

Our SG&A expenses increased throughout the company. The increase predominately relates to the Nuclear segment, as it continues to expand its management staff to more efficiently bid on new contracts, service and manage its facilities and increase its efforts towards compliance with corporate policies and regulatory agencies. The increase in the corporate administrative overhead is due to increased payroll and benefits, as a result of our continuing focus on corporate governance and information services. The increase was partially offset by a decrease in outside consulting fees, as we established our internal audit department and saw a decline in charges related to Section 404 of the Sarbanes-Oxley Act. The increase in the Industrial segment was a result of increased legal fees as we work to resolve certain legal issues at our facilities, as well as costs incurred in connection with environmental compliance of the facilities. The Engineering segment increase was the result of the payroll cost for a new business development manager hired in July 2005. Included in SG&A expenses is depreciation and amortization expense of \$85,000 and \$91,000 for the three months ended March 31, 2006, and 2005, respectively.

Interest Expense

Interest expense decreased for the quarter ended March 31, 2006, as compared to the corresponding period of 2005.

(In thousands)	2006	2005	Change
PNC interest	\$ 196	\$ 195	\$ 1
Other	161	217	(56)
Total	\$ 357	\$ 412	\$ (55)

This decrease is principally a result of the full repayment of a \$3.5 million unsecured promissory note in August 2005, and from the final repayment of debt to various other sources as our overall debt position continues to improve.

Interest Expense - Financing Fees

Interest expense-financing fees decreased approximately \$62,000 for the quarter ended March 31, 2006, as compared to the corresponding period of 2005. This decrease was principally a result of entering into Amendment No. 4 and Amendment No. 5 with PNC during 2005, which extended the maturity date on the term loan and revolver agreements to May 2008. The remaining financing fees are now amortized through May 2008. As of March 31, 2006, the unamortized balance of prepaid financing fees is

\$414,000, which is comprised of \$220,000 from the original PNC debt and \$338,000 associated with Amendment No. 4 and Amendment No. 5, offset by the monthly amortization of these fees over the past nine months. These prepaid financing dues will be amortized through May 2008 at a rate of \$16,000 per month.

Preferred Stock Dividends

Preferred Stock dividends were \$31,000 for the three months ended March 31, 2005. The Preferred dividends were comprised of dividends from our Series 17 Preferred Stock, which was converted to Common Stock in September 2005.

DISCONTINUED OPERATIONS

PPF

Effective November 8, 2005, our Board of Directors approved the discontinuation of operations at the facility in Pittsburgh, Pennsylvania, owned by our subsidiary, Perma-Fix of Pittsburgh, Inc. ("PPF"). The decision to discontinue operations at PPF was due to our reevaluation of the facility and our ability to achieve profitability at the facility in the near term. During February 2006, we completed the remediation of the leased property and the equipment, and released the property back to the owner. The operating results for the current and prior periods have been reclassified to discontinued operations in our Consolidated Statements of Operations.

PPF recorded a loss of \$342,000 for the three months ended March 31, 2006, and revenue of \$177,000 and an operating loss of \$79,000 for the three months ended March 31, 2005. The loss in 2006, was partially due to early termination costs of \$200,000 associated with our early termination of our leased property. The

assets and liabilities related to PFP have been reclassified into separate categories in the Consolidated Balance Sheets as of March 31, 2006 and December 31, 2005. The assets are recorded at their net realizable value, and consist of equipment of \$116,000. Liabilities as of March 31, 2006, consist of accounts payable of \$13,000.

PFMI

On October 4, 2004, our Board of Directors approved the discontinuation of operations at the facility in Detroit, Michigan, owned by our subsidiary, Perma-Fix of Michigan, Inc. ("PFMI"). The decision to discontinue operations at PFMI was principally a result of two fires that significantly disrupted operations at the facility in 2003, and the facility's continued drain on the financial resources of our Industrial segment. We are in the process of remediating the facility and evaluating our available options for future use or sale of the property. The operating activities for the current and prior periods have been reclassified to discontinued operations in our Consolidated Statements of Operations.

PFMI recorded a loss of \$108,000 for the three months ended March 31, 2006, and a loss of \$167,000 for the three months ended March 31, 2005. During the last half of 2005 we settled the three insurance claims we submitted relative to the two fires at PFMI, a property claim for the first fire and a property claim and business interruption claim for the second fire. During 2004, we recorded a receivable of \$1,585,000 based on negotiations with the insurance carrier on the business interruption claim. The income from recording this receivable was recorded as a reduction of "loss from discontinued operations" and reduced the operating losses for 2004. During 2005, we received insurance proceeds and claim settlements of \$3,253,000 for settlement of all three claims. Of these proceeds, \$1,476,000 was recorded as income from discontinued operations during the third quarter of 2005, which is net of \$192,000 paid for public adjuster fees.

Assets and liabilities related to the discontinued operation have been reclassified to separate categories in the Consolidated Balance Sheets as of March 31, 2006 and December 31, 2005. As of March 31, 2006, assets are recorded at their estimated net realizable values, and consist of property and equipment of

\$600,000. Liabilities as of March 31, 2006, consist of accounts payable and current accrued expenses of \$15,000, environmental accruals of \$1,865,000, and a pension payable of \$1,558,000. The pension plan withdrawal liability, is a result of the termination of the union employees of PFMI. The PFMI union employees participate in the Central States Teamsters Pension Fund ("CST"), which provides that a partial or full termination of union employees may result in a withdrawal liability, due from PFMI to CST. The recorded liability is based upon a demand letter received from CST in August 2005, that provided for the payment of \$22,000 per month over an eight year period. This obligation is recorded as a long-term liability, with a current portion of \$125,000 that we expect to pay over the next year.

As a result of the discontinuation of operations at the PFMI facility, we are required to complete certain closure and remediation activities pursuant to our RCRA permit. Also, in order to close and dispose of the facility, we may have to complete certain additional remediation activities related to the land, building, and equipment. The level and cost of the clean-up and remediation will be determined by state mandated requirements, the extent to which are not known at this time. Also, impacting this estimate is the level of contamination discovered, as we begin remediation, and the related clean-up standards which must be met in order to dispose of or sell the facility. We engaged our engineering firm, SYA, to perform an analysis and related estimate of the cost to complete the RCRA portion of the closure/clean-up costs and the potential long-term remediation costs. Based upon this analysis, we originally estimated the cost of this environmental closure and remediation liability to be \$2,464,000. We have spent approximately \$599,000 for closure costs since September 30, 2004, of which approximately \$44,000 has been spent during the first quarter of 2006, and \$439,000 was spent in 2005. We have \$1,865,000 accrued for the closure, as of March 31, 2006, and we anticipate spending \$149,000 in 2006 with the remainder over the next two to five years.

LIQUIDITY AND CAPITAL RESOURCES OF THE COMPANY

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

At March 31, 2006, we had cash of \$68,000. The following table reflects the cash flow activities during the first quarter of 2006.

(In thousands)	2006
Cash provided by operations	\$ 336
Cash used in investing activities	(1,404)
Cash provided by financing activities	1,042
Decrease in cash	\$ (26)

We are in a net borrowing position and therefore attempt to move all excess cash balances immediately to the revolving credit facility, so as to reduce debt and interest expense. We utilize a centralized cash management system, which includes remittance lock boxes and is structured to accelerate collection activities and reduce cash balances, as idle cash is moved without delay to the

revolving credit facility. The cash balance at March 31, 2006, primarily represents minor petty cash and local account balances used for miscellaneous services and supplies.

Operating Activities

Accounts receivable, net of allowances for doubtful accounts, totaled \$13,562,000, a decrease of \$3,047,000 over the December 31, 2005, balance of \$16,609,000. The Nuclear segment experienced a

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decrease of \$2,376,000 as a result of increased collection efforts and improved turnaround of all Bechtel Jacobs and certain other commercial account receivables. This segment was also affected by timing issues related to the final shipment of wastes to end disposal sites that are delayed due to the complexity of the documentation required for invoicing and the approvals to ship from our generators. The Engineering segment also experienced a decrease of \$6,000. Additionally, there was a decrease in the accounts receivable from the Industrial segment of \$665,000 primarily resulting from increased collection efforts and the loss of a contract with a major home improvement chain.

Unbilled receivables are generated by differences between invoicing timing and the percentage of completion methodology used for revenue recognition purposes. As major processing phases are completed and the costs incurred, we recognize the corresponding percentage of revenue. We experience delays in processing invoices due to the complexity of the documentation that is required for invoicing, as well as, the difference between completion of revenue recognition milestones and agreed upon invoicing terms, which results in unbilled receivables. The timing differences occur for several reasons. Partially from delays in the final processing of all wastes associated with certain work orders and partially from delays for analytical testing that is required after we have processed waste but prior to our release of waste for disposal. The difference also occurs due to our end disposal sites requirement of pre-approval prior to our shipping waste for disposal and our contract terms with the customer that we dispose of the waste prior to invoicing. These delays usually take several months to complete. As of March 31, 2006, unbilled receivables totaled \$13,975,000, an increase of \$2,027,000 from the December 31, 2005, balance of \$11,948,000. This increase is principally due to timing issues related to the final shipment of wastes to end disposal sites that are delayed due to shipment approvals needed from generators, and the complexity of the current contracts, which requires greater levels of documentation and additional testing for final invoicing.

As of March 31, 2006, total consolidated accounts payable was \$4,842,000, a decrease of \$1,211,000 from the December 31, 2005, balance of \$6,053,000. Accounts payable decreased in conjunction with decreased revenues in the Industrial segment due to the loss of the contract with a major home improvement chain effective November 2005. Additionally, accounts payable decreased as a result of improved profitability and decreased un-financed capital expenditures.

Accrued Expenses as of March 31, 2006, totaled \$11,472,000, a decrease of \$194,000 over the December 31, 2005, balance of \$11,666,000. Accrued expenses are made up of disposal and processing cost accruals, accrued compensation, interest payable, insurance payable and certain tax accruals. The decrease to accrued expenses was principally a result of payments made in the first quarter for insurance payables of \$822,000, offset by an increase in disposal accrual of \$663,000 related to the timing of shipments of processed wastes from our Nuclear facilities.

The working capital position at March 31, 2006, was \$7,934,000, as compared to a working capital position of \$5,916,000 at December 31, 2005. The increase in this position of \$2,018,000 is principally a result of the decrease in accounts payable, as mentioned above, and from the decrease in unearned revenue as a result of increased processing in the Nuclear segment of backlog and legacy waste in the first quarter, partially offset by the net decrease in unbilled and accounts receivable. Our working capital position continues to experience the negative impact of certain liabilities associated with discontinued operations.

Investing Activities

Our purchases of new capital equipment for the three-month period ended March 31, 2006, totaled approximately \$496,000 of which, all was funded out of cash flow. These expenditures were for expansion and improvements to the operations principally within the Nuclear segment. These capital expenditures were funded by the cash provided by operations. We budgeted capital expenditures of

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approximately \$6,800,000 for fiscal year 2006, which includes an estimated \$3,570,000 to complete certain current projects committed at December 31, 2005, as well as other identified capital and permit compliance purchases. Our purchases during the first quarter of 2006 include approximately \$153,000 of those projects committed at December 31, 2005. Certain of these budgeted projects are discretionary and may either be delayed until later in the year or deferred altogether. We have traditionally incurred actual capital spending totals for a given year less than initial budget amount. The initiation and timing of projects are also determined by financing alternatives or funds available for such capital projects. We anticipate funding these capital expenditures by a combination of lease financing, internally generated funds, and/or the proceeds received from Warrant exercises.

In June 2003, we entered into a 25-year finite risk insurance policy, which provides financial assurance to the applicable states for our permitted facilities in the event of unforeseen closure. Prior to obtaining or renewing operating permits we are required to provide financial assurance that guarantees to the states that in the event of closure our permitted facilities will be closed in accordance with the regulations. The policy provides \$35 million of financial assurance coverage of which the coverage amount totals \$28,766,000 at March 31, 2006, and has available capacity to allow for annual inflation and

other performance and surety bond requirements. This finite risk insurance policy required an upfront payment of \$4.0 million, of which \$2,766,000 represented the full premium for the 25-year term of the policy, and the remaining \$1,234,000, was deposited in a sinking fund account representing a restricted cash account. In February 2006, we paid our third of nine required annual installments of \$1,004,000, of which \$991,000 was deposited in the sinking fund account, the remaining \$13,000 represents a terrorism premium. As of March 31, 2006, we have recorded \$4,361,000 in our sinking fund on the balance sheet, which includes interest earned of \$154,000 on the sinking fund as of March 31, 2006. Interest income for the three months ended March 31, 2006, was \$31,000. On the fourth and subsequent anniversaries of the contract inception, we may elect to terminate this contract. If we so elect, the Insurer will pay us an amount equal to 100% of the sinking fund account balance in return for complete releases of liability from both us and any applicable regulatory agency using this policy as an instrument to comply with financial assurance requirements.

Financing Activities

On December 22, 2000, we entered into a Revolving Credit, Term Loan and Security Agreement ("Agreement") with PNC Bank, National Association, a national banking association ("PNC") acting as agent ("Agent") for lenders, and as issuing bank, as amended. The Agreement provides for a term loan ("Term Loan") in the amount of \$7,000,000, which requires monthly installments of \$83,000 with the remaining unpaid principal balance due on May 31, 2008. The Agreement also provided for a revolving line of credit ("Revolving Credit") with a maximum principal amount outstanding at any one time of \$18,000,000, as amended. The Revolving Credit advances are subject to limitations of an amount up to the sum of (a) up to 85% of Commercial Receivables aged 90 days or less from invoice date, (b) up to 85% of Commercial Broker Receivables aged up to 120 days from invoice date, (c) up to 85% of acceptable Government Agency Receivables aged up to 150 days from invoice date, and (d) up to 50% of acceptable unbilled amounts aged up to 60 days, less (e) reserves the Agent reasonably deems proper and necessary. As of March 31, 2006, the excess availability under our Revolving Credit was \$8,667,000 based on our eligible receivables.

Pursuant to the Agreement, as amended, the Term Loan bears interest at a floating rate equal to the prime rate plus 1%, and the Revolving Credit at a floating rate equal to the prime rate plus 1/2%. The loans are subject to a prepayment fee of 1% until March 25, 2006, and 1/2% until March 25, 2007.

In conjunction with our acquisition of M&EC, M&EC issued a promissory note for a principal amount of \$3.7 million to Performance Development Corporation ("PDC"), dated June 25, 2001, for monies advanced to M&EC for certain services performed by PDC. The promissory note is payable over eight

years on a semiannual basis on June 30 and December 31. The principal repayments for 2006 will be approximately \$400,000 semiannually. Interest is accrued at the applicable law rate ("Applicable Rate") pursuant to the provisions of section 6621 of the Internal Revenue Code of 1986 as amended (10% on March 31, 2006) and payable in one lump sum at the end of the loan period. On March 31, 2006, the outstanding balance was \$3,718,000 including accrued interest of approximately \$1,484,000. Pursuant to the agreement the accrued interest is to be paid at the end of the term, and as such, is recorded as a long-term liability. PDC has directed M&EC to make all payments under the promissory note directly to the Internal Revenue Service ("IRS") to be applied to PDC's obligations under its installment agreement with the IRS.

Additionally, M&EC entered into an installment agreement with the IRS for a principal amount of \$923,000 effective June 25, 2001, for certain withholding taxes owed by M&EC. The installment agreement is payable over eight years on a semiannual basis on June 30 and December 31. The principal repayments for 2006 will be approximately \$100,000 semiannually. Interest is accrued at the Applicable Rate, and is adjusted on a quarterly basis and payable in lump sum at the end of the installment period. On March 31, 2006, the rate was 10%. On March 31, 2006, the outstanding balance was \$910,000 including accrued interest of approximately \$357,000. The interest expense is recorded as a long-term liability, pursuant to the terms of the agreement.

In summary, we have continued to take steps to improve our operations and liquidity, as discussed above. However, we continue to invest our working capital back into our facilities to fund capital additions within both the Nuclear and Industrial segments. We have experienced the positive impact of increased accounts receivable collections and increased availability under our Revolving Credit. Additionally, accounts payable have remained relatively steady and within terms. Offsetting these positives is the continued negative impact of current reserves recorded on discontinued operations. The reserves recorded on discontinued operations could be reduced or paid over a longer period of time than initially anticipated. If we are unable to improve our operations and remain profitable in the foreseeable future, such would have a material adverse effect on our liquidity position.

CONTRACTUAL OBLIGATIONS

The following table summarizes our contractual obligations at March 31, 2006, and the effect such obligations are expected to have on our liquidity and cash flow in future periods, (in thousands):

<TABLE>
<CAPTION>

Contractual Obligations	Total	Payments due by period			
		2006	2007 - 2009	2010 - 2011	After 2011
<S>	<C>	<C>	<C>	<C>	<C>
Long-term debt	\$ 14,418	\$ 2,397	\$ 11,993	\$ 28	\$ --

Interest on long-term debt (1)	1,841	--	1,841	--	--
Interest on variable rate debt (2)	1,118	468	650	--	--
Operating leases	3,763	1,244	1,891	517	111
Finite risk policy (3)	6,022	--	3,011	2,008	1,003
Pension withdrawal liability (4)	1,558	125	475	403	555
Environmental contingencies (5)	4,154	866	2,365	300	623
Purchase obligations (6)	--	--	--	--	--
	-----	-----	-----	-----	-----
Total contractual obligations	\$ 32,874	\$ 5,100	\$ 22,226	\$ 3,256	\$ 2,292
	=====	=====	=====	=====	=====

</TABLE>

- (1) Our IRS Note and PDC Note agreements call for interest to be paid at the end of the term, December 2008.

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- (2) We have variable interest rates on our Term Loan and Revolving Credit of 1% and 1/2% over the prime rate of interest, respectively, and as such we have made certain assumptions in estimating future interest payments on this variable interest rate debt. We assume an increase in prime rate of 0.25% in each of the years 2006 through 2008. We anticipate a full repayment of our Revolving Credit by December 2006, and full repayment of our Term Loan by May 2008.
- (3) Our finite risk insurance policy provides financial assurance guarantees to the states in the event of unforeseen closure of our permitted facilities. See Liquidity and Capital Resources - Investing activities earlier in this Management's Discussion and Analysis for further discussion on our finite risk policy.
- (4) The pension withdrawal liability is the estimated liability to us upon termination of our union employees at our discontinued operation, PFMI. See Discontinued Operations earlier in this section for discussion on our discontinued operation.
- (5) The environmental contingencies and related assumptions are discussed further in the Environmental Contingencies section of this Management's Discussion and Analysis, and are based on estimated cash flow spending for these liabilities.
- (6) We are not a party to any significant long-term service or supply contracts with respect to our processes. We refrain from entering into any long-term purchase commitments in the ordinary course of business.

CRITICAL ACCOUNTING ESTIMATES

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

Revenue Recognition Estimates. We use the percentage of completion methodology for purposes of revenue recognition in our Nuclear Segment. As we accept more complex waste streams in this segment, the treatment of those waste streams becomes more complicated and more time consuming. We continue to enhance our waste tracking capabilities and systems, which has enabled us to better match the revenue earned to the processing phases achieved. The major processing phases are receipt, treatment/processing and shipment/final disposition. Upon receiving mixed waste we recognize a certain percentage (33%) of revenue as we incur costs for transportation, analytical and labor associated with the receipt of mixed wastes. As the waste is processed, shipped and disposed of we recognize the remaining 67% of revenue and the associated costs of transportation and burial. The waste streams in our Industrial segment are much less complicated, and services are rendered shortly after receipt, therefore, percentage of completion estimates are not used in our Industrial segment. However, we continue to review and evaluate our revenue recognition estimates and policies on a quarterly basis.

Allowance for Doubtful Accounts. The carrying amount of accounts receivable is reduced by an allowance for doubtful accounts, which is a valuation allowance that reflects management's best estimate of un-collectable amounts. All accounts receivable balances after 60 days from the invoice date are regularly reviewed based on current credit worthiness, and that portion, deemed un-collectable, if any, are computed. Specific accounts deemed to be uncollectible are reserved at 100% of their outstanding balance. The remaining balances aged over 60 days have a percentage applied by aging category (5% for balances 61-90 days, 20% for 91-120 days, and 40% over 120 days), based on a historical valuation, that

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allows us to calculate the total reserve required. This allowance was approximately 0.6%, and 0.7% of revenue and approximately 3.1%, and 3.2% of accounts receivable for 2005, and 2004, respectively.

Intangible Assets. Intangible assets relating to acquired businesses consist primarily of the cost of purchased businesses in excess of the estimated fair value of net assets acquired ("goodwill") and the recognized permit value of the business. We continually reevaluate the reasonableness of the carrying amount of permits and goodwill to determine whether current events and circumstances warrant adjustments to the carrying value. We utilize an independent appraisal firm to test goodwill and permits, separately, for impairment, annually as of October 1. Our annual impairment test as of October 1, 2005, resulted in no impairment of goodwill and permits. The appraisers estimate the fair value of our operating segments using a discounted cash flow valuation approach. This approach is dependent on estimates for future sales, operating income,

depreciation and amortization, working capital changes, and capital expenditures, as well as, expected growth rates for cash flows and long-term interest rates, all of which are impacted by economic conditions related to our industry as well as conditions in the U.S. capital markets.

Accrued Closure Costs. Accrued closure costs represent a contingent environmental liability to clean up a facility in the event we cease operations in an existing facility. The accrued closure costs are estimates based on guidelines developed by federal and/or state regulatory authorities under Resource Conservation and Recovery Act ("RCRA"). Such costs are evaluated annually and adjusted for inflationary factors and for approved changes or expansions to the facilities. Increases due to inflationary factors for 2006 and 2005, have been approximately 2.7%, and 2.1%, respectively, and based on the historical information, we do not expect future inflationary changes to differ materially from the last three years. Increases or decreases in accrued closure costs resulting from changes or expansions at the facilities are determined based on specific RCRA guidelines applied to the requested change. This calculation includes certain estimates, such as disposal pricing, external labor, analytical costs and processing costs, which are based on current market conditions. However, except for the Michigan and Pittsburgh facilities, we have no current intention to close any of our facilities.

Accrued Environmental Liabilities. We have five remediation projects currently in progress. The current and long-term accrual amounts for the projects are our best estimates based on proposed or approved processes for clean-up. Circumstances that could affect the outcome include new technologies being developed every day to reduce our overall costs, or increased contamination levels that could arise as we complete remediation which could increase our costs, neither of which we anticipate at this time. Significant changes in regulations could also adversely or favorably affect our costs to remediate existing sites or potential future sites, which cannot be reasonably quantified. We have also accrued a long-term environmental liability for our PFMD facility acquired in March 2004, which is not a permitted facility, so we are currently under no obligation to clean up the contamination.

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

KNOWN TRENDS AND UNCERTAINTIES

Seasonality. Historically, we have experienced reduced revenues, operating losses and/or decreased operating profits during the first and fourth quarters of our fiscal years due to a seasonal slowdown in operations from poor weather conditions and overall reduced holiday season activities. During our second and third fiscal quarters, there has historically been an increase in revenues and operating profits.

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Management expects this trend to continue in future years. The U.S. Department of Energy ("DOE") and U.S. Department of Defense ("DOD") represent major customers for the Nuclear segment. In conjunction with the federal government's September 30 fiscal year-end, the Nuclear segment has experienced seasonably large shipments during the third quarter, leading up to this government fiscal year-end, as a result of incentives and other quota requirements. Correspondingly, for a period of approximately three months following September 30, the Nuclear segment has historically experienced a seasonal slowdown, as the governmental budgets are still being finalized, planning for the new year is occurring and we enter the holiday season. We experienced limited success in 2005 in getting governmental customers to extend the timing of their shipments of wastes typically received in the third quarter over a longer period of time, which has helped smooth revenues over the second and third quarters. However, as a result of our efforts to schedule shipments on a more consistent basis, we may not experience this seasonality going forward. The maturing process of our Nuclear segment continues to lessen the impact of seasonal fluctuations in all quarters. Furthermore, the backlog of stored waste has enabled us to maintain revenue levels in the first quarter of 2006, as we have focused our efforts on processing on-site wastes.

Economic Conditions. Economic downturns or recessionary conditions can adversely affect the demand for our services, principally within the Industrial segment. Reductions in industrial production generally follow such economic conditions, resulting in reduced levels of waste being generated and/or sent off for treatment. We feel that recessionary conditions stabilized in 2005 as evidenced by increases in commercial waste revenues, and continue to improve in the first quarter of 2006.

Significant Customers. While our revenues are principally derived from numerous and varied customers, our Nuclear segment has a significant relationship with Bechtel Jacobs, DOE's appointed manager of the environmental program to perform certain treatment and disposal services in Oak Ridge, Tennessee. Our revenues from Bechtel Jacobs contributed 9.5% of total consolidated revenues for the three months ended March 31, 2006, and 7.7% during the same period in 2005. Our initial relationship with Bechtel Jacobs began when our subsidiary in Oak Ridge, Tennessee ("M&EC") entered into certain subcontracts for treatment services, and has expanded into other services outside these contracts. These Oak Ridge contracts have been extended through August 2007, and, as with all government contracts, may be terminated or renegotiated at any time at the government's election. As DOE's Oak Ridge site continues to complete certain of its clean-up milestones and moves toward completing its closure efforts, the revenue from these contracts may decline. The Nuclear segment continues to pursue other

similar or related services for environmental programs at other DOE and government sites. In February 2003, M&EC commenced legal proceedings against Bechtel Jacobs, seeking payment from Bechtel Jacobs of approximately \$4.3 million in surcharges relating to certain wastes that were treated by M&EC in 2001 and 2002. Bechtel Jacobs continues to deliver waste to M&EC for treatment, and M&EC continues to accept such waste. In addition, after the lawsuit was filed, M&EC entered into a new contract with Bechtel Jacobs to treat DOE waste. There is no guarantee of future business with Bechtel Jacobs, and either party may terminate the relationship at any time. Termination of this relationship could have a material adverse effect on us. We are working towards increasing other sources of revenues at M&EC to reduce the risk of reliance on one major source of revenues.

During the three months ended March 31, 2006, our Nuclear segment performed services relating to waste generated by the federal government, either directly or indirectly as a subcontractor to the federal government, representing approximately \$7,709,000, or approximately 36.5%, of our consolidated first quarter 2006 revenues, which includes revenues under the three contracts with Bechtel Jacobs discussed above. Most, if not all, contracts with the federal government or with others as a subcontractor to the federal government provide that the government may terminate or renegotiate the contracts at the government's option at any time.

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Insurance. We maintain insurance coverage similar to, or greater than, the coverage maintained by other companies of the same size and industry, which complies with the requirements under applicable environmental laws. We evaluate our insurance policies annually to determine adequacy, cost effectiveness and desired deductible levels. Due to the downturn in the economy and changes within the environmental insurance market, we have no guarantee that we will be able to obtain similar insurance in future years, or that the cost of such insurance will not increase materially.

Certain Legal Proceedings. Our subsidiaries, PFD and PFTS are involved in legal proceedings alleging that they had not obtained certain air permits in order to operate its facility in violation of the Clean Air Act and applicable state statutes and regulations. If it is determined that PFD is or was required to operate under a Title V air permit, this determination could result in substantial fines and penalties being assessed against PFD, which could have a material adverse effect on our financial conditions and liquidity. In addition, a determination that either PFD or PFTS is in violation of the applicable Clean Air Act and/or applicable state statutes could have a material adverse effect on the operation of that particular facility. The above budgeted amounts for capital expenditures relating to environmental contingencies assumes that neither of our subsidiaries, PFD or PFTS, is required to obtain a Title V air permit in connection with its operations. If it is determined that either PFD or PFTS is required to have a Title V air permit in order to operate that facility, we anticipate that substantial additional capital expenditures will be required in order to bring that facility in compliance with the requirements of a Title V air permit. We do not have reliable estimates of the cost of additional capital expenditures to comply with Title V air permit.

ENVIRONMENTAL CONTINGENCIES

We are 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, we are subject to rigorous federal, state and local regulations. These regulations mandate strict compliance and therefore are a cost and concern to us. Because of their integral role in providing quality environmental services, we make every reasonable attempt to maintain complete compliance with these regulations; however, even with a diligent commitment, we, along with many of our competitors, may be required to pay fines for violations or investigate and potentially remediate our waste management facilities.

We routinely use third party disposal companies, who ultimately destroy or secure landfill residual materials generated at our facilities or at a client's site. Compared with certain of our competitors, we dispose of significantly less hazardous or industrial by-products from our 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 our aggressive compliance and auditing procedures for disposal of wastes, we could, in the future, be notified that we are a PRP at a remedial action site, which could have a material adverse effect.

For 2006, \$1,107,000 is budgeted in environmental remediation expenditures to comply with federal, state and local regulations in connection with remediation of certain contaminants at our facilities. Our facilities where the remediation expenditures will be made are the Leased Property in Dayton, Ohio (EPS), a former RCRA storage facility as operated by the former owners of PFD, PFM's facility in Memphis, Tennessee, PFSG's facility in Valdosta, Georgia, PFTS's facility in Tulsa, Oklahoma, PFMD's facility in Baltimore, Maryland, and PFMI's facility in Detroit, Michigan. While no assurances can be made that we will be able to do so, we expect to fund the expenses to remediate the sites from funds generated internally.

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At March 31, 2006, we had total accrued environmental remediation liabilities of \$4,154,000, of which \$866,000 is recorded as a current liability, a decrease of \$241,000 from the December 31, 2005, balance of \$1,107,000. This decrease represents payments on remediation projects. The March 31, 2006, current and long-term accrued environmental balance is as follows:

Current	Long-term
---------	-----------

	Accrual	Accrual	Total
PFD	\$ 193,000	\$ 580,000	\$ 773,000
PFM	326,000	238,000	564,000
PFSG	187,000	337,000	524,000
PFTS	11,000	26,000	37,000
PFMD	--	391,000	391,000
	717,000	1,572,000	2,289,000
PFMI	149,000	1,716,000	1,865,000
	\$ 866,000	\$ 3,288,000	\$ 4,154,000
	=====	=====	=====

RECENTLY ADOPTED ACCOUNTING STANDARDS

On January 1, 2006, we adopted Financial Accounting Standards Board ("FASB") Statement No. 123 (revised) ("SFAS 123R"), Share-Based Payment, a revision of FASB Statement No. 123, Accounting for Stock-Based Compensation, superseding APB Opinion No. 25, Accounting for Stock Issued to Employees, and its related implementation guidance. This Statement establishes accounting standards for entity exchanges of equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative upon adopting SFAS 123R.

We adopted SFAS 123R utilizing the modified prospective method in which compensation cost is recognized beginning with the effective date based on SFAS 123R requirements for all (a) share-based payments granted after the effective date and (b) awards granted to employees prior to the effective date of SFAS 123R that remain unvested on the effective date. In accordance with the modified prospective method, the consolidated financial statements for prior periods have not been restated to reflect, and do not include, the impact of SFAS 123R.

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

PART I, ITEM 3

We are exposed to certain market risks arising from adverse changes in interest rates, primarily due to the potential effect of such changes on our variable rate loan arrangements with PNC. As of March 31, 2006, we have no interest swap agreement outstanding, and we were exposed to variable interest rates under our loan arrangements with PNC. The interest rates payable to PNC are based on a spread over prime rate. If our floating rates of interest experienced an upward increase of 1%, our debt service would have increased by approximately \$26,000 for the three months ended March 31, 2006.

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PERMA-FIX ENVIRONMENTAL SERVICES, INC.
CONTROLS AND PROCEDURES

PART 1, ITEM 4

(a) Evaluation of disclosure controls, and procedures.

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our periodic reports filed with the Securities and Exchange Commission (the "SEC") is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management. Based on their most recent evaluation, which was completed as of the end of the period covered by this Quarterly Report on Form 10-Q, we have evaluated, with the participation of our Chief Executive Officer and Interim Chief Financial Officer the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15 and 15d-15 of the Securities Exchange Act of 1934, as amended) and believe that such are effective, as reported in our Annual Report on Form 10-K for the year ended December 31, 2005, (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)).

(b) Changes in internal control over financial reporting.

There have been no changes in our internal control over financial reporting that occurred during our last fiscal quarter that have materially affected, or are likely to materially affect, our internal control over financial reporting.

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PERMA-FIX ENVIRONMENTAL SERVICES, INC.

PART II - Other Information

Item 1. Legal Proceedings

There are no additional material legal proceedings pending against us and/or our subsidiaries not previously reported by us in Item 3 of our Form 10-K for the year ended December 31, 2005, which is incorporated

herein by reference.

Item 5. Other Information

RELATED PARTY TRANSACTIONS

Lawrence Properties LLC

During February 2006, our Board of Directors approved and Perma-Fix Environmental Services, Inc. entered into a lease agreement, whereby we will lease property from, Lawrence Properties LLC, a company jointly owned by the president of Schreiber, Yonley and Associates, Robert Schreiber, Jr. and his spouse. Mr. Schreiber is a member of our executive management team. The lease is for a term of five years and will begin on June 1, 2006. We will pay monthly rent expense of \$10,000, which we believe is lower than costs charged by unrelated third party landlords. Additional rent would be assessed for any increases over the initial lease commencement year, to property taxes or assessments and property and casualty insurance premiums.

Mill Creek Environmental Services, Inc.

During 2005, we utilized the remediation and analytical services of Mill Creek Environmental Services, Inc. ("Mill Creek"), which is owned principally by the son and daughter-in-law of our CEO, Dr. Louis Centofanti. Mill Creek provided assistance in developing remediation plans, completing a permit renewal and modification application, and groundwater investigations at one of our remediation sites. During 2006, we greatly reduced our reliance on Mill Creek's services. Our purchases from or services provided to us by Mill Creek for the three month period ended March 31, 2006, were \$3,000, and \$230,000 for the year ended December 31, 2005. We believe that the rates we receive are competitive and comparable to rates we would receive from unaffiliated third party vendors.

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Item 6. EXHIBITS

(a) EXHIBITS

- 4.1 Letter from PNC Bank, waiving the technical default on the Loan and Security Agreement with PNC Bank, as a result of the resignation of the Chief Financial Officer.
- 10.1 Lease agreement between Lawrence Properties, LLC and Perma-Fix Environmental Services, Inc., regarding a related party property lease.
- 31.1 Certification by Dr. Louis F. Centofanti, Chief Executive Officer of the Company pursuant to Rule 13a-14(a) or 15d-14(a).
- 31.2 Certification by David K. Hansen, Interim Chief Financial Officer of the Company pursuant to Rule 13a-14(a) or 15d-14(a).
- 32.1 Certification by Dr. Louis F. Centofanti, Chief Executive Officer of the Company furnished pursuant to 18 U.S.C. Section 1350.
- 32.2 Certification by David K. Hansen, Interim Chief Financial Officer of the Company furnished pursuant to 18 U.S.C. Section 1350.

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SIGNATURES

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

PERMA-FIX ENVIRONMENTAL SERVICES

Date: May 9, 2006 By: /s/ Dr. Louis F. Centofanti

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

Date: May 9, 2006 By: /s/ David K. Hansen

David K. Hansen
Interim Chief Financial Officer and
VP - Corporate Controller / Treasurer

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PNC BANK, NATIONAL ASSOCIATION
201 South Tryon Street, Suite 900
Charlotte, NC 28202

May 1, 2006

Perma-Fix Environmental Services, Inc.
1940 N.W. 67th Place
Gainesville, Florida 32653

Attn: Dr. Louis F. Centofanti, President

Dear Dr. Centofanti:

Reference is made to the Revolving Credit, Term Loan and Security Agreement dated as of December 22, 2000 (as amended, modified, restated or supplemented from time to time, the "Loan Agreement") among Perma-Fix Environmental Services, Inc. ("Borrower"), PNC Bank, National Association ("PNC"), the various financial institutions which are now or which hereafter become a party thereto (together with PNC, each a "Lender" and collectively, the "Lenders") and PNC as issuing bank and agent for itself and Lenders (in such capacity, "Agent"). All capitalized terms used herein which are not otherwise defined herein shall have the meanings set forth in the Loan Agreement.

An Event of Default has occurred under Section 10.13 of the Loan Agreement as a result of the resignation of Richard Kelecy as Vice President and Chief Financial Officer of the Borrower (the "Resignation"). You have requested that we waive such Event of Default. We hereby waive the Event of Default which has occurred under Section 10.13 of the Loan Agreement as a result of the Change of Control arising due to the Resignation.

Except as expressly provided herein, the execution, delivery and effectiveness of this letter shall not operate as a waiver of any of our rights, powers or remedies, nor constitute a waiver of any provision of the Loan Agreement, or any other documents, instruments or agreements executed and/or delivered thereunder or in connection therewith and all other documents, instruments and agreements executed and/or delivered in connection therewith, shall remain in full force and effect.

Very truly yours,

PNC BANK, NATIONAL ASSOCIATION,
as Agent

By: /s/ Alex M. Council, IV

Alex M. Council
Vice President

LEASE

THIS LEASE made and entered into this 15th day of February, 2006, by and between Lawrence Properties, LLC, hereinafter called Landlord, and Perma-Fix Environmental Services Inc. hereinafter called Tenant.

WITNESSETH:

Premises 1. Landlord, for and in consideration of the rents, covenants and agreements hereinafter mentioned and hereby agreed to be paid, kept and performed by Tenant, does hereby lease with covenant for quiet enjoyment to Tenant, and Tenant, hereby hires from the Landlord, the following described premises (hereinafter called the "leased premises"), located in the City of Ellisville, in the County of St. Louis, State of Missouri, and more particularly described as follows:

10,500 sq. ft. of office/ warehouse space known and numbered as 16252 Westwood Business Park Drive, Ellisville Missouri

Use of Premises 2. The leased premises may be used and occupied by Tenant during the term hereof, subject to the conditions herein contained, for general office, warehousing or light manufacturing purposes. In no event shall the premises be used for any purpose contrary to law, zoning regulations, or recorded restrictions, if any.

Improvements to Property 3. Tenant shall immediately provide to Landlord preliminary plans for additional leasehold improvements required in the space. Landlord agrees that after execution of this lease, Landlord shall at its expense prepare and submit to Tenant, plans and specifications for final improvements. Landlord's cost for said improvements shall not exceed One Hundred Thousand Dollars (\$100,000.00) Tenant agrees that approval for such final plans and specifications will be acted upon in 10 days from the date they are received from Landlord. Approval by Tenant shall not be unreasonably withheld. If such final plans and specifications are not approved by Tenant within such time period, then Landlord may, at its election, terminate this lease. When finally approved and initialed by both parties, such final plans and specifications shall be attached hereto and shall become a part of this lease as if originally incorporated herein. Landlord shall provide for a minimum of 1600 cubic feet of mutually agreeable weather resistant, secure equipment storage space on the property for the term of the lease. Tenant shall have the right to use said storage space exclusively for the duration of the lease Tenant's entry into possession of the leased premises shall be deemed its acceptance of the premises in good order, condition and repair.

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Term 4. The term of this lease shall be for five (5) years, commencing on the 1st day of June, 2006, and ending on the 31st day of May, 2011, both dates inclusive. If the leased premises are not available or ready for occupancy at such commencement date, and such unavailability or unreadiness is not occasioned or caused by Tenant, (such as Tenant's failure promptly to approve plans, make material or color selections, make improvements to the leased premises which

are to be made by Tenant or make other decisions necessary to the preparation of the leased premises for occupancy), then the commencement date shall be the first day of the month succeeding the month in which the lease premises are available and ready for occupancy, as evidenced by written notice given by Landlord to Tenant, and the termination date should be extended accordingly. After the commencement and termination dates have been determined as aforesaid, and upon the demand of either the Landlord or the Tenant, the parties hereto will execute a written declaration expressing the specific commencement and termination dates. If by mutual consent of the parties Tenant takes possession of the leased premises prior to the commencement date, then during such pre-term occupancy shall not affect the lease term as herein otherwise established. If by mutual consent of parties Tenant shall remain in possession of the leased premises after the expiration of the term of this lease, such possession shall be as a month to month tenancy during which time the rent shall be payable at the same rate as that in effect during the last month of the term, and the provisions of this lease shall be applicable.

Rent 5.

Tenant shall without deduction, abatement or set-off of any nature whatsoever, pay to Landlord as fixed rent for the lease premises the sum of One Hundred Twenty, One Thousand Two Hundred Seventy Five and 00/100 Dollars (\$121,275.00) per annum, payable in monthly installments of Ten Thousand, One Hundred and Six and 25/100 Dollars (\$10,106.25) each, in advance without demand, on the first day of each and every month during the term of this lease. Rent may be paid up to the 15th of the month without any penalties.

Upon execution of this Lease by both parties, and prior to Tenants occupancy, Tenant shall deposit with Landlord on demand the first month's rent of \$10,106.25 and a security deposit of \$5000.00. Upon termination of this lease, the security deposit shall be returned to the Tenant if the leased premises are turned over to Landlord in the same condition as at the commencement of this lease, ordinary wear and tear excepted and no adjustment payments are due. If any repairs are required due to Tenants abuse or neglect, Tenant shall be responsible for the cost of the repairs or replacement. Landlord shall use the security deposit for full or partial payment of any repair or replacement costs which are a result of Tenant's abuse or neglect and charge the Tenant for any cost over and above the amount of the security deposit. If costs and adjustments chargeable against the security deposit are less than the amount of the security deposit, the portion of the security deposit in excess of such charges shall be returned to Tenant.

Taxes 6.

The Tenant shall pay to the Landlord, as additional rent, the proportionate part of any increases in real estate taxes or assessments, or service charges levied or assessed, or the fire and extended coverage insurance premium on the land and building of which the leased premises are a part over and above the amount thereof assessed for the calendar year during which the term of this lease commences. Such additional rent shall be payable by Tenant upon presentation to Tenant of copies of paid statements for the

year for which payment is demanded and copies of the paid statement for the base year as above determined. The proportion of such increase payable by Tenant shall be based on the ratio which the number of square feet of gross area occupied by the Tenant in the building bears to the total number of square feet of gross area in the entire building.

The Tenant shall also pay to the Landlord, as additional rent, the proportionate part of any increase in costs of the Casualty and Comprehensive Liability Insurance which are over and above the amount thereof incurred for the calendar year during which the term of this lease commences.

Assignment and
Subletting 7.

Tenant shall not assign this lease nor sublet all or any part of the leased premises without the prior written consent of Landlord, which consent shall not be unreasonably withheld. Landlord's consent to one assignment or subletting shall not be deemed a consent to any other or further assignment thereunder and no acceptance by Landlord of any rent or any other sum of money from any assignee or sublessee shall release Tenant from any of its obligations under this lease: and in any event Tenant shall remain primarily liable on this lease for the entire term hereof and shall in no wise be released from the full and complete performance of all terms and conditions, covenants and agreements herein contained.

In the event that Tenant shall sublet the leased premises for a rental in excess of fixed rent due hereunder from Tenant to Landlord, then notwithstanding any other provision contained in this Lease to the contrary, the fixed rent provided for in paragraph 5 of this Lease shall automatically be increased during the term of such sub-lease to a sum equal to the amount of rent payable under such sub-lease. In the event that Tenant shall receive any valuable consideration for an assignment of the Tenant's interest in this lease, then, notwithstanding any other provision contained in this lease to the contrary, Tenant shall pay to Landlord as additional rent hereunder the amount for consideration thereby received.

Parking 8.

Tenant shall during the lease term have the right to use parking spaces on the parking lot adjacent to the leased premises, for itself, its employees and its invitees on a non-exclusive and unassigned basis.

Repairs and
Maintenance 9.

Landlord shall at its cost keep in good repair the foundation, exterior walls, roofs, gutters and downspouts forming a part of the leased premises. Any repairs to any such portions of the leased premises or other areas made necessary by the negligence of Tenant its officers, agents, employees, or invitees, shall be made by Tenant at Tenants cost.

Landlord shall provide for maintenance and repair of the mechanical systems, common area lighting, landscaped areas, parking lot and drives, including snow removal, clean up and exterior trash removal. This shall include maintaining the lawn and shrubbery adjacent to the lease premises, including watering, cutting the grass and replacing of any dead trees, bushes or other ornamental plantings.

Tenant shall, at its own cost and expense, keep all other parts of the leased premises in good repair (including, but not limited to the plumbing system, electrical system, sprinkler system, exterior doors and interior doors and partitions) and shall keep the leased premises and area adjacent thereto in good order to the standards of a first class office and warehousing building, including, but in no way, limited to:

(a) Keeping and maintaining the sidewalks, common areas, parking lot and drives adjoining the leased premises in a clean condition, including sweeping and the removal of trash there from.

(b) Maintaining and keeping in existence at all times dock bumpers if applicable in good condition, so as to protect the leased premises.

(c) Maintaining and replacing all glass, plate glass, and skylights in the leased premises.

(d) Throughout the term of this lease, and any options, Tenant shall carry a full service HVAC maintenance contract. Said service contract, as paid by the tenant, shall not exceed \$6,350 per year, subject to inflationary increases as described in this document.

In the event that Tenant shall be in default under this Paragraph 9, the Landlord may cure such default on behalf of the Tenant, in which event, Tenant on demand, shall reimburse Landlord for all sums paid to effect such cure, plus 33-1/3% thereof, to cover Landlord's overhead expenses and plus reasonable attorney's fees. In order to collect such reimbursement the Landlord shall have all the remedies available under this lease for a default in the payment of rent.

Alterations 10. No alteration, addition or improvement to the leased premises shall be made by the Tenant without the written consent of the Landlord. Any alteration, addition or improvement made by the Tenant after such consent shall have been given, and any fixtures installed as part thereof, shall at Landlord's option, become the property of Landlord upon the expiration or sooner termination of this lease: provided, however, that the Landlord shall have the right to require the Tenant to remove such fixtures at the Tenants cost upon such termination of this lease.

Waste 11. The Tenant covenants not to do or suffer any waste to the leased premises.

Mechanic's
Liens 12. Tenant shall not permit mechanic's lien to be filed against the fee of the leased premises which were a result of work commissioned by Tenant, or against the Tenants leasehold interest in the premises by reason of work, labor, services or materials supplied or claimed to have been supplied to the Tenant or anyone holding the leased premises through or under the Tenant, whether prior or subsequent to the commencement of the term thereof. If any mechanic's lien shall at any time be filed against the leased premises and Tenant shall fail to remove same within thirty (30) days

thereafter, it shall constitute a default under the provisions of this lease.

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- Restrictions on Use 13. The Tenant shall not allow, permit or suffer any noise, smoke or odor to escape from the leased premises in a manner which will disturb other occupants of the building, or occupy the leased premises in such manner as to disturb the peaceful and quiet occupancy of the other tenants of the building or constitutes public or private nuisance. No sign, fixture, advertisement or notice shall be displayed, inscribed, painted or affixed by Tenant on any part of the outside of the leased premises or on the parking lot or on any part of the Landlord's property, adjacent to the leased premises without the prior written consent of the Landlord. At the expiration of the lease term, Tenant shall remove all such signs or advertisement matter at its cost and shall repair any damage resulting from such removal. Nor shall Tenant allow or permit any goods, materials, or equipment to be stored outside of the buildings without the prior written consent of the Landlord.
- Utilities 14. Tenant shall pay for all gas, electricity, common area lighting, water, heat air conditioning, sewer and telephone service and all other utilities used in and upon the leased premises. The costs of any utilities that cannot be metered separately will be allocated to Tenant on a pro-rata basis.
- Access 15. Landlord, and its duly authorized agents, employees and contractors, shall have access to the leased premises at all reasonable times for the purpose of inspecting the same and making necessary repairs or replacements as called for hereunder.
- Insurance 16. If Landlord's cost of insurance for the leased premises shall be increased by reason of the occupancy and use of the premises by Tenant or any other person holding under the Tenant, all such increases over the existing rate prior to such use shall be paid by Tenant to Landlord, on demand.
- Liability Insurance 17. Tenant agrees to maintain at its expense at all times during the lease term full public liability and contractual liability insurance properly protecting and indemnifying Landlord and naming Landlord as additional insured in an amount not less than \$1,000,000. per person and \$1,000,000. per accident for Injuries or damages to persons, and not less than \$1,000,000. damage or destruction of property, written by insurers licensed to do business in the State of Missouri. Tenant shall deliver to Landlord certificates of such insurance, which shall declare that the respective insurer may not cancel the same in whole or in part without giving Landlord written notice of its intention to do so at least ten (10) days in advance.
- Prior to the commencement of this lease, Landlord shall provide Tenant with proof of property and casualty insurance on the property. Should Landlord cancel said insurance during the term of this lease, Landlord shall give tenant 30 days prior written notice.
- Liability 18. Landlord shall not be liable for any failure of water supply, gas or electric current: not for any injury or

damage to person or property caused by gasoline, oil, steam, gas, electricity, hurricane, tornado, earthquake, flood, wind or similar storms and disturbances: nor water, rain or snow which may leak or flow from the street, sewer, gas mains or any subsurface area from any part of the building or improvements on the

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leased premises: nor for any personal injury to Tenant, its officers, agents, employees and invitees, nor any other occupant of any part of the leased premises, nor for any damages to any property of the Tenant or of any other occupant of any part of the leased premises, Irrespective of how much such injury or damage may be caused, whether from action of the elements or acts by occupants of adjacent properties, but this section does not apply to any acts of negligence of Landlord.

Tenant shall indemnify and hold Landlord harmless from any loss, damages and expenses incident thereto arising out of liability to any person on account of loss of or damage to property or injury to persons resulting from the use and occupancy of the leased premises or the parking lot, sidewalks, drives, or common area by Tenant.

Limitation of Liability 19.

Anything contained in this Lease to the contrary notwithstanding, Tenant agrees that Tenant shall look solely to the estate and property of Landlord in the land and Buildings of which the Leased Premises forms a part, in the event of any default or breach by Landlord with respect to any of the terms and provisions of this Lease.

Damage or Destruction 20.

The destruction of the building and improvements on the leased premises by fire or other casualty or such material Injury thereto so as to render the premises In question untenable for one hundred twenty (120) days shall produce and work a termination of this lease. Provided, however, that if such destruction of or damage to the premises shall be due to the act or negligence of Tenant, its officers, agents, or employees, the Landlord shall have the option to produce and work a termination of this lease or to restore the premises to substantially the same condition in which they existed prior to such destruction or damage.

If the Landlord and Tenant cannot agree as to whether said building and improvements are unquestionably untenable for one hundred twenty (120) days, the fact shall be determined by arbitration; the Landlord and Tenant shall each choose an arbitrator within five (5) days after either has notified the other in writing of such damage. The two arbitrators so chosen, before entering on the discharge of their duties, shall elect a third, and the decision of any two of such arbitrators shall be conclusive and binding upon both parties hereto. If it is determined by arbitration, or agreement between the Landlord and Tenant, that said premises are not unquestionably untenable for one hundred twenty (120) days, then Landlord shall restore said premises to substantially the same condition in which they existed prior to such damage, at Landlord's own expense, with all reasonable speed and promptness, and in such case a just and proportionate part of said rental shall be abated until said premises have been restored. In determining what constitutes reasonable speed and promptness, considerations shall be

given to delays caused by strikes, adjustment of insurance, and other causes beyond the Landlord's control.

In no event shall the Landlord be required to restore any alteration, additions or Improvements made by or for the Tenant and not required by this Lease to be furnished by Landlord, nor any trade fixtures, furniture, equipment or other property belonging to Tenant.

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Condemnation 21.

(a) If the whole of the leased premises shall be taken for any public or any quasi-public use under any statute or by right of eminent domain, or by purchase under threat of condemnation, then this lease shall automatically terminate as of the date that title shall be taken. If any part of the leased premises shall be so taken as to render the remainder thereof unusable for the purposes for which the leased premises were leased, then the Landlord and Tenant shall each have the right to terminate this lease on thirty (30) days notice to the other given within ninety (90) days after the date of such taking. In the event that this lease shall terminate or be terminated, the rental, shall, be adjusted to cease on the date of such termination.

(b) If any part of the leased premises shall be so taken and this lease shall not terminate or be terminated under the provisions of subparagraph (a) above, then the rental shall be equitably apportioned according to the space so taken, and the Landlord shall, at its own cost and expense, restore the remaining portion of the leased premises to the extent necessary to render them reasonably suitable for the purposes for which they were leased, and shall make all repairs to the building in which the leased premises are located to the extent necessary to constitute the building a complete architectural unit.

(c) All compensation awarded or paid upon such a total or partial taking of the leased premises shall belong to and be the property of the Landlord without any participation by the Tenant: provided, however, that nothing contained herein shall be construed to preclude the Tenant from prosecuting any claim directly against the condemning authority in such condemnation proceeding for loss of business, depreciation to, damage to, or cost of removal of, or for the value of stock, trade fixtures, furniture, and other personal property belonging to the Tenant provided, however, that no such claim shall diminish or otherwise adversely affect the Landlord's award.

Default 22.

The following events shall be deemed to be events of default by Tenant under this lease: (i) if Tenant shall fail to pay any fixed or additional rent hereby reserved when due (ii) if Tenant shall fail to comply with any term or provision, or covenant of this lease, other than the payment of rent (iii) if Tenant shall become insolvent, or shall make a transfer in fraud of its creditors, or shall make an assignment for the benefit of its creditors (iv) if Tenant shall file a petition under any section or chapter of the National Bankruptcy Act, as amended, or under any similar law or statute of the United States or any state thereof, or Tenant shall be adjudicated bankrupt or Insolvent in proceedings filed against Tenant thereunder (v) if a

receiver or trustee shall be appointed for substantially all of the assets of Tenant, or (vi) if Tenant shall desert or vacate any substantial portion of the leased premises. In all cases above Tenant shall have ten (10) days to cure such failure or default following written notice from Landlord.

Upon the occurrence of any such event of default, Landlord shall have the option to pursue any one or more of the following remedies (as well as any other remedies provided by Law) without any notice or demand whatsoever.

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- (a) Terminate Tenants right to possession of the leased premises (without terminating this lease or Tenants obligations hereunder) and enter upon and take possession of the leased premises by summary proceedings, force or in any other manner, and dispossess, expel, and remove the Tenant or any other person who may be occupying the leased premises or any part thereof (including changing or altering the locks or other security devices) and remove and expel any personal property of trade fixtures located therein, all without being liable to any prosecution therefore or for any damages resulting therefore. In such event Landlord shall also have the option to declare immediately due and payable and to immediately recover from the Tenant the entire amount of rent then remaining to be paid under this lease for the balance of the lease term. In the event of such re-entry by Landlord, Landlord shall also have the option to allow the leased premises to remain vacant or relet same for the account of Tenant (in the name of Landlord or in the name of Tenant) at any rent and for any term readily obtainable and receive the rent therefore, in which event all rents that may arise by reason of such reletting (after first deducting all repossession costs, brokerage commission, legal expenses, attorney's fees and all other expenses in cleaning, altering premises for reletting) shall be paid over to Tenant or credited to Tenant's account.
- (b) Forfeit and terminate this lease and Tenant's right to possession of the leased premises. In the event of such termination Tenant shall immediately surrender the leased premises to Landlord and if Tenant fails to do so, Landlord may enter upon and take possession of the leased premises and expel or remove tenant and any other person who may be occupying said premises or any part thereof, and any personal property or trade fixtures located therein. In the event of a forfeiture of the lease as herein provided, Tenant agrees that the security deposit being held by Landlord hereunder shall be forfeited to Landlord as liquidated damages for Tenant's default, which liquidated damages shall be in addition to and not in lieu of any unpaid rent or any other damages accruing to Landlord by reason of the violation by Tenant of any of the terms, provisions and covenants of this lease.

Pursuit by Landlord of any of the foregoing remedies or any other remedy provided by law shall not constitute a

forfeiture or waiver of any rent due to Landlord hereunder or of any damages accruing to Landlord by reason of the violation by Tenant of any of the terms, provisions and covenants of this lease. In no event shall Tenant be relieved from its obligation to pay the rentals specified in this lease by reason of a surrender of possession, termination of this lease or in any other manner whatsoever, unless specifically agreed to in writing by Landlord.

No waiver by Landlord of any violation or breach of any of the terms, provisions and covenants of this lease shall be deemed or construed to constitute a waiver of any other violation or breach of any of the terms, provisions and covenants herein contained. Forbearance by Landlord to enforce one or more of the remedies herein provided upon an event of default shall not be deemed or construed to constitute a waiver of such default.

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If Landlord incurs any expenses, including court costs and attorney's fees, as a result of a default by Tenant under this lease, then such expenses shall be reimbursed by Tenant as additional rent, whether or not such default is subsequently cured.

Tenants delinquent payments shall bear interest at the rate of 18% per annum from the date of delinquency until paid.

Compliance
With Laws 23.

Code Compliance Tenant shall, at its sole cost and expense, comply or cause the Premises to comply with all applicable laws, rules, regulations, requirements and ordinances now in force or which may hereafter be in force (hereinafter collectively referred to as "Laws"), including, without limitation, The Americans With Disabilities Act, (the "ADA"), which have been or which may be enacted or imposed by any governmental unit concerning the Premises or Tenant's use of the Premises, provided, however, Tenant shall not be obligated or required to comply with any such laws that require alterations, maintenance or restoration of the Premises, unless the alteration, maintenance or restoration, is required as a result of (i) the manner of conduct of Tenant's business or operation of Tenant's equipment or other property therein, or (ii) any cause or condition created by Tenant, or (iii) the breach of any of Tenant's obligations or duties hereunder, or (iv) any alteration, maintenance or restoration required by the ADA to be made to the interior of the Premises, or (v) any alterations required to the Building or common areas serving the Building which the ADA may require Tenant to make as an employer in order to make reasonable accommodations with respect to those employees of Tenant which may be disabled.

Environmental Covenants Tenant shall not use, store, manufacture dispose of or discharge any pollutants, contaminates, or harmful or hazardous substances from or on the Premises or otherwise occupy or permit the Premises to be occupied or used in a manner which (i) violates any law, regulation, rule or other governmental requirement, (ii) impairs the health, safety or condition of any person or property or (iii) adversely affects the use, enjoyment or value of the Premises or the surrounding property. This

covenant excludes the storage of small quantity samples being held prior to transfer to laboratories for analysis. Tenant shall promptly notify Landlord of the breach, or the potential or threatened breach, of any of the provisions of this paragraph. Tenant shall indemnify and hold Landlord and its officers, shareholders, partners, employees, aid agents, harmless from any loss, claim, liability or expense (including, without limitation, attorneys' fees, court costs, consultant fees, expert fees, penalties, fines, removal, clean-up, transportation, disposal and restoration expenses) arising in connection with Tenant's failure to comply with the provisions of this paragraph. A breach of the provisions of this paragraph shall be a material default enabling Landlord to exercise any of the remedies set forth in this Lease. Tenant's obligation hereunder shall survive the termination of this Lease.

Surrender and
Definitions 24.

At the expiration of the lease term, Tenant shall surrender the leased premises in as good condition as they were in at the beginning of the term, reasonable use and wear and damage by the elements excepted.

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Notwithstanding any provisions of law or any judicial decision to the contrary, no notice shall be required to terminate the term of this lease as herein provided, and the term of this lease shall expire on the termination date herein mentioned without notice being required from either party. In the event that Tenant or any party holding under Tenant shall remain in possession of the leased premises beyond the expiration of the term of this lease, whether by limitation or forfeiture, such party shall pay double rent hereunder during such hold-over period

Notices 25.

Any notice required to be given by either party to the other party under the terms of this lease shall be served upon it or mailed by United States Certified Mail to said party as follows:

To Landlord: Mrs. Carol Schreiber
Managing Partner
Lawrence Properties LLC
12401 Englewood Rd.
Ashland, Mo. 65010

To Tenant: Mr. Richard Kelecy, CFO

Perma-Fix Environmental Services Inc.
1940 N.W. 67th Pl
Gainesville, FL 32653

Headings and
Terminations 26.

(a) It is agreed that the headings and phrases as to the contents of particular paragraphs of this lease are inserted only as a matter of convenience and for reference, and in no way are intended to be a part of this lease, or in any way to define, limit or describe the scope or intent of the particular paragraph to which they refer.

(b) Where in this instrument pronouns or words indicating the singular number, appear, such words, shall be considered as masculine, feminine or neuter pronouns or words indicating the plural number, and vice versa, where the context indicates the propriety of such use.

- Modification 27. Landlord and Tenant agree that this lease contains the entire agreement between them and shall not be modified in any manner except by an instrument in writing signed by each of them.
- Benefit 28. This lease shall inure to the benefit of and be binding upon the Landlord and Tenant and their respective heirs, executors, administrators, successors and assigns, as the case may be.
- Subordination 29. Tenant agrees that upon request of Landlord and delivery to it by any mortgagee of the leased premises of a "Non-Disturbance Letter" as same is defined below, that this Lease and Tenant's interest in this Lease will be subordinated to any mortgage, deed of trust or other method of financing or refinancing now or hereafter encumbering the leased premises, the lands underlying the leased premises and/or the

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buildings of which leased premises comprise a part; and to all renewals, modifications, replacements, consolidations and extensions thereof. Tenant further agrees that in such event it will execute and deliver any and all documents necessary to evidence the subordination of its rights under the lease and aforesaid. The "Non-Disturbance Letter" referred to above shall be a letter from the holder of any such mortgage, deed of trust or other security instrument to the effect that in the event of a foreclosure or other action taken under any such security instrument this lease and the rights of Tenant hereunder will not be disturbed, diminished or interfered with by such security holder, but will continue in full force and effect so long as Tenant shall not be in default hereunder.

In any event, If any such mortgage, deed of trust or other security interest encumbering the leased premises is foreclosed for any reason, and the holder of such mortgage, deed of trust or other security instrument succeeds to the interest of Landlord under this Lease, Tenant shall be bound to such mortgage, deed of trust or security holder under all of the terms of this lease for the balance of the term thereof remaining, with the same force and effect as if said mortgagee were the Landlord under this lease; and Tenant hereby attorns to the mortgage as its Landlord, such attornment to be effective and self-operative without the execution of any further instrument on the part of either parties hereto, immediately upon the mortgage succeeding to the interest of Landlord under this lease.

- Authority 30. Each individual executing this document on behalf of a corporation, partnership, trust or estate represents and warrants that he has full power and authority to bind said entity to the terms and conditions hereof.
- Successors 31. The provisions, covenants and conditions of this lease shall bind and inure to the benefit of the legal representatives, successors, and assigns of each of the parties, except that no assignment or subletting by Tenant without the written consent of Landlord shall vest any right in the assignee or sublessee of Tenant

Renewal Option 32. Tenant is hereby granted an option to extend the term of this lease for a further period of 5 years from the date of expiration of the original term hereof, provided this lease shall, at the expiration of the original term, be in full force and effect and the Tenant shall have fully performed all of its terms and conditions. Such option shall be exercised by written notice to Landlord, not less than six (3) months prior to the expiration of the original term of this lease. The extended term of this lease shall be on the same terms and conditions as provided in this lease, except that the annual fixed rent hereunder shall be increased by the following amounts:

- (a) That, the amount which equals the percentage of increase, if any, in the last Consumer Price Index of the U.S. Bureau of Labor Statistics (All items Index for the United States) issued immediately prior to the beginning of the renewal term hereunder over the last such Index published immediately prior to the commencement of the original lease term.

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IN WITNESS WHEREOF, the parties hereto have hereunto set their hands the day and year first above mentioned.

By: Carol Schreiber

Landlord (Name)

/s/ Carol Schreiber

Signature

Managing Partner 2/20/06

Title Date

By: Richard T. Kelecy

Tenant (Name)

/s/ Richard T. Kelecy

Signature

V.P. Chief Financial Officer 02/16/06

Title Date

Notary

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CERTIFICATIONS

I, Louis F. Centofanti, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Perma-Fix Environmental Services, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which

are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

Date: May 9, 2006

/s/ Louis F. Centofanti

Louis F. Centofanti
Chairman of the Board
Chief Executive Officer

CERTIFICATIONS

I, David K. Hansen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Perma-Fix Environmental Services, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which

are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

Date: May 9, 2006

/s/ David K. Hansen

David K. Hansen
Interim Chief Financial Officer and
Vice President - Corporate Controller/Treasurer

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

In connection with the Quarterly Report of Perma-Fix Environmental Services, Inc. ("PESI") on Form 10-Q for the quarter ended March 31, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), I Dr. Louis F. Centofanti, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78m or Section 78o(d)); and

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

Dated: May 9, 2006

/s/ Louis F. Centofanti

Dr. Louis F. Centofanti
President and
Chief Executive Officer

This certification is furnished to the Securities and Exchange Commission solely for purpose of 18 U.S.C. Section 1350 subject to the knowledge standard contained therein, and not for any other purpose.

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

In connection with the Annual Report of Perma-Fix Environmental Services, Inc. ("PESI") on Form 10-Q for the quarter ended March 31, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), I David K. Hansen, Interim Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78m or Section 78o(d)); and

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

Dated: May 9, 2006

/s/ David K. Hansen

David K. Hansen
Interim Chief Financial Officer and
Vice President - Corporate Controller/Treasurer

This certification is furnished to the Securities and Exchange Commission solely for purpose of 18 U.S.C. Section 1350 subject to the knowledge standard contained therein, and not for any other purpose.