

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 JUNE 30, 2005

OR

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

FOR THE TRANSITION PERIOD FROM _____ to _____

Commission File No. 111596

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

Delaware 58-1954497
(State or other jurisdiction (IRS Employer Identification Number)
of incorporation or organization)

1940 N.W. 67th Place, Gainesville, FL 32653
(Address of principal executive offices) (Zip Code)

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

N/A

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

Indicate by check mark whether the Registrant (1) has filed all reports required
to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during
the preceding 12 months (or for such shorter period that the Registrant was
required to file such reports), and (2) has been subject to such filing
requirements for the past 90 days. Yes No

Indicate by checkmark whether the registrant is an accelerated filer (as defined
in Rule 12b-2 of the 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 August 4, 2005
Common Stock, \$.001 Par Value	41,918,546 (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, 2004.

The results of operations for the six months ended June 30, 2005, are not necessarily indicative of results to be expected for the fiscal year ending December 31, 2005.

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PERMA-FIX ENVIRONMENTAL SERVICES, INC.
CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

(Amounts in Thousands, Except for Share Amounts)	June 30, 2005 (Unaudited)	December 31, 2004
<S>	<C>	<C>
ASSETS		
Current assets		
Cash	\$ 100	\$ 215
Restricted cash	60	60
Accounts receivable, net of allowance for doubtful accounts of \$517 and \$570	26,678	27,192
Inventories	904	882
Prepaid expenses	1,799	2,891
Other receivables	83	45
Current assets of discontinued operations, net of allowance for doubtful accounts of \$93 and \$125	194	1,609
Total current assets	29,818	32,894
Property and equipment:		
Buildings and land	18,085	18,313
Equipment	30,824	30,281
Vehicles	4,461	4,187
Leasehold improvements	11,489	11,514
Office furniture and equipment	2,502	2,396
Construction-in-progress	2,367	1,852
	69,728	68,543
Less accumulated depreciation and amortization	(23,665)	(21,282)
Net property and equipment	46,063	47,261
Property and equipment of discontinued operations	603	600
Intangibles and other assets:		
Permits	13,045	12,895
Goodwill	1,330	1,330
Finite Risk Sinking Fund	3,216	2,225
Other assets	2,875	3,250
Total assets	\$ 96,950	\$ 100,455

</TABLE>

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

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CONSOLIDATED BALANCE SHEETS, CONTINUED

<TABLE>
<CAPTION>

(Amounts in Thousands, Except for Share Amounts)	June 30, 2005 (Unaudited)	December 31, 2004
<S>	<C>	<C>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 6,788	\$ 6,529
Current environmental accrual	570	721
Accrued expenses	11,027	12,100
Unearned revenue	4,095	5,115
Current liabilities of discontinued operations	2,235	2,550
Current portion of long-term debt	2,868	6,376
Total current liabilities	27,583	33,391
Environmental accruals	2,110	2,141
Accrued closure costs	5,128	5,062
Other long-term liabilities	2,172	1,944
Long-term liabilities of discontinued operations	1,600	1,804
Long-term debt, less current portion	13,664	12,580
Total long-term liabilities	24,674	23,531
Total liabilities	52,257	56,922
Commitments and Contingencies (see Notes 4 and 6)	--	--
Preferred Stock of subsidiary, \$1.00 par value; 1,467,396 shares authorized, 1,284,730 shares issued and outstanding, liquidation value \$1.00 per share	1,285	1,285
Stockholders' equity:		
Preferred Stock, \$.001 par value; 2,000,000 shares authorized, 2,500 shares issued and outstanding	--	--
Common Stock, \$.001 par value; 75,000,000 shares authorized, 42,793,267 and 42,749,117 shares issued, including 988,000 shares held as treasury stock, respectively	43	43
Additional paid-in capital	80,968	80,902
Accumulated deficit	(35,727)	(36,794)
Interest rate swap	(14)	(41)
Less: Common Stock in treasury at cost; 988,000 shares	(1,862)	(1,862)
Total stockholders' equity	43,408	42,248
Total liabilities and stockholders' equity	\$ 96,950	\$ 100,455

</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>
<CAPTION>

(Amounts in Thousands, Except for Per Share Amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
<S>	<C>	<C>	<C>	<C>
Net revenues	\$ 25,359	\$ 19,128	\$ 46,967	\$ 35,939
Cost of goods sold	18,016	13,425	34,123	26,386
Gross profit	7,343	5,703	12,844	9,553
Selling, general and administrative expenses	5,741	4,320	10,660	8,658
Gain on disposal of property and equipment	(337)	(1)	(337)	(18)
Income from operations	1,939	1,384	2,521	913
Other income (expense):				
Interest income	1	1	2	2
Interest expense	(381)	(575)	(793)	(1,240)
Interest expense-financing fees	(110)	(257)	(221)	(513)
Other	(45)	36	(59)	(18)
Income (loss) from continuing operations	1,404	589	1,450	(856)

Loss from discontinued operations	(122)	(472)	(289)	(1,025)
Net income (loss)	1,282	117	1,161	(1,881)
Preferred Stock dividends	47	47	94	94
Net income (loss) applicable to Common Stock	\$ 1,235	\$ 70	\$ 1,067	\$ (1,975)
Net income (loss) per common share - basic				
Continuing operations	\$.03	\$.01	\$.03	\$ (.02)
Discontinued operations	--	(.01)	--	(.03)
Net income (loss) per common share	\$.03	\$ --	\$.03	\$ (.05)
Net income (loss) per common share - diluted				
Continuing operations	\$.03	\$.01	\$.03	\$ (.02)
Discontinued operations	--	(.01)	--	(.03)
Net income (loss) per common share	\$.03	\$ --	\$.03	\$ (.05)
Number of shares and potential common shares used in net income (loss) per common share:				
Basic	41,805	41,448	41,792	39,244
Diluted	44,476	45,210	44,508	39,244

</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)	Six Months Ended June 30,	
	2005	2004
<S>	<C>	<C>
Cash flows from operating activities		
Net income (loss)	\$ 1,161	\$ (1,881)
Adjustments to reconcile net income (loss) to cash provided by (used in) operations:		
Depreciation and amortization	2,403	2,330
Debt discount amortization	--	162
Provision for bad debt and other reserves	(37)	89
Gain on disposal of property and equipment	(337)	(18)
Issuance of Common Stock for services	18	18
Changes in assets and liabilities:		
Accounts receivable	552	(741)
Prepaid expenses, inventories and other assets	1,370	77
Accounts payable, accrued expenses, and unearned revenue	(1,904)	449
Discontinued operations	896	(160)
Net cash provided by operations	4,122	325
Cash flows from investing activities:		
Purchases of property and equipment, net	(1,100)	(1,835)
Proceeds from sale of plant, property and equipment	700	19
Change in restricted cash, net	(2)	--
Change in finite risk sinking fund	(991)	(991)
Discontinued operations	(3)	(51)
Funds used for acquisitions (net of cash acquired)	--	(2,903)
Net cash used in investing activities	(1,396)	(5,761)
Cash flows from financing activities:		
Net repayments of revolving credit	(2,318)	(3,899)
Principal repayments of long-term debt	(4,986)	(1,744)
Borrowings of long-term debt	4,416	--
Proceeds from issuance of stock	47	10,858
Net cash (used in) provided by financing activities	(2,841)	5,215
Decrease in cash	(115)	(221)
Cash at beginning of period	215	411
Cash at end of period	\$ 100	\$ 190
Supplemental disclosure		
Interest paid	\$ 594	\$ 1,061
Non-cash investing and financing activities:		
Issuance of Common Stock for payment of dividends	--	63

Gain on interest rate swap	27	54
Long-term debt incurred for purchase of property and equipment	465	167

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

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PERMA-FIX ENVIRONMENTAL SERVICES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited, for the six months ended June 30, 2005)

<TABLE>
<CAPTION>

(Amounts in thousands, except for share amounts)	Preferred Stock		Common Stock		Additional Paid-In Capital
	Shares	Amount	Shares	Amount	
<S>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 2004	2,500	\$ --	42,749,117	\$ 43	\$ 80,902
Comprehensive income:					
Net income	--	--	--	--	--
Other Comprehensive income:					
Gain on interest rate swap	--	--	--	--	--
Comprehensive income					
Preferred Stock dividends	--	--	--	--	--
Issuance of Common Stock for cash and services	--	--	31,287	--	66
Issuance of Common Stock upon cashless exercise of Warrants	--	--	12,863	--	--
Balance at June 30, 2005	2,500	\$ --	42,793,267	\$ 43	\$ 80,968

<CAPTION>

(Amounts in thousands, except for share amounts)	Accumulated Deficit	Interest Rate Swap	Common Stock Held In Treasury	Total Stockholders' Equity
<S>	<C>	<C>	<C>	<C>
Balance at December 31, 2004	\$ (36,794)	\$ (41)	\$ (1,862)	\$ 42,248
Comprehensive income:				
Net income	1,161	--	--	1,161
Other Comprehensive income:				
Gain on interest rate swap	--	27	--	27
Comprehensive income				
Preferred Stock dividends	(94)	--	--	(94)
Issuance of Common Stock for cash and services	--	--	--	66
Issuance of Common Stock upon cashless exercise of Warrants	--	--	--	--
Balance at June 30, 2005	\$ (35,727)	\$ (14)	\$ (1,862)	\$ 43,408

</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

JUNE 30, 2005
(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, 2004.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

RECENT ACCOUNTING PRONOUNCEMENTS

In May 2005, FASB issued Statement No. 154 ("SFAS 154"), Accounting Changes and Error Corrections. SFAS 154 replaces APB No. 20, Accounting Changes, and SFAS 3, Reporting Accounting Changes in Interim Financial Statements, and establishes retrospective application as the required method for reporting a change in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. SFAS 154 applies to all voluntary changes in accounting principles and to changes required by an accounting pronouncement in the instance that the pronouncement does not include specific transition provisions. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company does not anticipate that the adoption of SFAS 154 will have a material impact on its consolidated results of operations.

In March 2005, FASB issued FASB Interpretation No. 47 ("FIN 47"), Accounting for Conditional Asset Retirement Obligations -- An Interpretation of FASB Statement No. 143. FIN 47 clarifies that the term conditional asset retirement obligation, as used in SFAS 143, Accounting for Asset Retirement Obligations, refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and (or) method of settlement. Uncertainty about the timing and (or) method of settlement of a conditional asset retirement obligation should be factored into the measurement of the liability when sufficient information exists. FIN 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. The Interpretation is effective for fiscal years ending after December 15, 2005. We do not expect the adoption of FIN 47 to have a material effect on our consolidated financial position or results of operations for the year ending December 31, 2005.

In December 2004, FASB issued Statement No. 123 (revised) ("SFAS 123R"), Share-Based Payment. SFAS 123R is a revision of FASB Statement No. 123, Accounting for Stock-Based Compensation. This Statement supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees, and its related implementation guidance, and establishes standards for the accounting for transactions in which an entity exchanges its 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 a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost will be recognized over the period during which an employee is required to provide service in exchange for the award. This statement requires companies to recognize the fair value of stock options and other stock-based compensation to employees prospectively, beginning with awards granted, modified, repurchased or cancelled after the fiscal periods beginning after June 15, 2005. We currently measure stock-based compensation in accordance with APB Opinion No. 25.

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The impact on our financial condition or results of operations will depend on the number and terms of stock options outstanding on the date of change, as well as future options that may be granted. See Stock-Based Compensation below for the pro forma impact that the fair value method would have had on our net income/loss for each of the three and six month periods ended June 30, 2005, and 2004. We do not expect the impact of SFAS 123R to have an impact on our cash flows or liquidity.

In April 2005, the Securities and Exchange Commission ("SEC") amended its Regulation S-X to amend the date of compliance with SFAS 123R to the first reporting period of the fiscal year beginning on or after June 15, 2005. We anticipate adopting SFAS 123R on January 1, 2006.

RECLASSIFICATIONS

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

STOCK-BASED COMPENSATION

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

SFAS 123 requires pro forma information regarding net income and earnings per share as if compensation cost for our employee and director stock options had been determined in accordance with the fair market value-based method prescribed in SFAS 123. We estimate the fair value of each stock option at the grant date by using the Black-Scholes option-pricing model with the following assumptions used for grants in 2004: no dividend yield; an expected life of ten years; expected volatility between 21.72% and 37.50%; and risk free interest rates between 3.34% and 3.82%. No stock options have been granted in 2005.

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

<TABLE>
<CAPTION>

Three Months Ended
June 30,

Six Months Ended
June 30,

	2005	2004	2005	2004
<S>	<C>	<C>	<C>	<C>
Net income (loss) from continuing operations applicable to Common Stock, as reported	\$ 1,357	\$ 542	\$ 1,356	\$ (950)
Deduct: Total Stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(75)	(80)	(167)	(174)
Pro forma net income (loss) from continuing operations applicable to Common Stock	\$ 1,282	\$ 462	\$ 1,189	\$ (1,124)
Income (loss) per share:				
Basic - as reported	\$.03	\$.01	\$.03	\$ (.02)
Basic - pro-forma	\$.03	\$.01	\$.03	\$ (.03)
Diluted - as reported	\$.03	\$.01	\$.03	\$ (.02)
Diluted - pro-forma	\$.03	\$.01	\$.03	\$ (.03)

</TABLE>

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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. Diluted loss per share for the six months ended June 30, 2004, does not include potential common shares as their effect would be anti-dilutive.

The following is a reconciliation of basic net income (loss) per share to diluted net income (loss) per share for the three and six months ended June 30, 2005 and 2004:

<TABLE>
<CAPTION>

(Amounts in thousands except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
<S>	<C>	<C>	<C>	<C>
Earnings per share from continuing operations				
Income (loss) from continuing operations	\$ 1,404	\$ 589	\$ 1,450	\$ (856)
Preferred stock dividends	(47)	(47)	(94)	(94)
Income (loss) from continuing operations applicable to Common Stock	1,357	542	1,356	(950)
Effect of dilutive securities:				
Preferred Stock dividends	47	47	94	--
Income (loss) - diluted	\$ 1,404	\$ 589	\$ 1,450	\$ (950)
Basic income (loss) per share	\$.03	\$.01	\$.03	\$ (.02)
Diluted income (loss) per share	\$.03	\$.01	\$.03	\$ (.02)
Earnings per share from discontinued operations				
Loss - basic and diluted	\$ (122)	\$ (472)	\$ (289)	\$ (1,025)
Basic loss per share	\$ --	\$ (.01)	\$ --	\$ (.03)
Diluted loss per share	\$ --	\$ (.01)	\$ --	\$ (.03)
Weighted average shares outstanding - basic	41,805	41,448	41,792	39,244
Potential shares exercisable under stock option plans	239	351	244	--
Potential shares upon exercise of Warrants	765	1,744	805	--
Potential shares upon conversion of Preferred Stock	1,667	1,667	1,667	--
Weighted average shares outstanding - diluted	44,476	45,210	44,508	39,244

Potential shares excluded from above weighted average share calculations due to their anti-dilutive effect include:

Upon exercise of options	1,339	1,583	1,339	3,140
Upon exercise of Warrants	1,776	1,776	1,776	12,791
Upon conversion of Preferred Stock	--	--	--	1,667

</TABLE>

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3. LONG TERM DEBT

Long-term debt consists of the following at June 30, 2005, and December 31, 2004:

<TABLE>

<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% (6.75% at June 30, 2005), balance due in May 2008.	\$ 4,162	\$ 6,480
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% (7.25% at June 30, 2005).	7,000	3,083
Unsecured Promissory Note dated August 31, 2000, payable in August 2005, interest paid annually at 7.0%. Paid in full in June 2005.	--	3,500
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 (8.0% on June 30, 2005) and is payable in one lump sum at the end of installment period.	2,634	3,034
Installment Agreement dated June 25, 2001, payable in semiannual installments on June 30 and December 31 through December 31, 2008, variable interest accrues at the applicable law rate determined under the IRS Code Section (8.0% on June 30, 2005) and is payable in one lump sum at the end of installment period.	653	753
Various capital lease and promissory note obligations, payable 2005 to 2010, interest at rates ranging from 5.0% to 14.2%.	2,083	2,106
	-----	-----
	16,532	18,956
Less current portion of long-term debt	2,868	6,376
	-----	-----
	\$ 13,664	\$ 12,580
	=====	=====

</TABLE>

REVOLVING CREDIT AND TERM LOAN

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. The Agreement provided for a term loan ("Term Loan") in the amount of \$7,000,000, which requires principal repayments based upon a seven-year amortization, payable over five years, with monthly installments of \$83,000 and the remaining unpaid principal balance due on December 22, 2005. 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 Agent reasonably deems proper and necessary. As of June 30, 2005, the excess availability under our Revolving Credit was \$10,217,000 based on our eligible receivables.

Effective March 25, 2005, the Company and PNC entered into an amended agreement (Amendment No. 4), which, among other things, extends the \$25 million credit facility through May 31, 2008. The other terms of the credit facility remain principally unchanged, as a result of the amendment, with the exception of a 50 basis point reduction in the variable interest rate on both loans.

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On June 29, 2005, we entered into an amendment ("Amendment No. 5") to the Agreement. Pursuant to Amendment No. 5, PNC increased our Term Loan by approximately \$4.4 million, resulting in a Term Loan of \$7 million. Under Amendment No. 5, the Term Loan continues to be payable in monthly installments of approximately \$83,000, plus accrued interest, with the remaining unpaid principal balance and accrued interest, payable in May 2008, upon termination of the amended Agreement. As part of Amendment No. 5, certain of our subsidiaries have modified or granted mortgages to PNC on their facilities, in addition to the collateral previously granted to PNC under the Agreement. All other terms and conditions to the Agreement, remain principally unchanged. We used the additional loan proceeds to prepay a \$3.5 million unsecured promissory note, which was due and payable in August 2005, and the balance was used for general working capital. As a condition of Amendments No. 4 and 5, we paid a \$140,000 fee to PNC.

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.

UNSECURED PROMISSORY NOTE

On August 31, 2000, as part of the consideration for the purchase of Diversified Scientific Services, Inc. ("DSSI"), we issued to Waste Management Holdings a

long-term unsecured promissory note (the "Unsecured Promissory Note") in the aggregate principal amount of \$3,500,000, bearing interest at a rate of 7% per annum and having a five-year term with interest to be paid annually and principal due in one lump sum at the end of the term of the Unsecured Promissory Note (August 2005). This debt balance was reclassified in its entirety from long term to current in the third quarter of 2004. We utilized the proceeds of the amended agreement with PNC, mentioned above, to repay this note in June 2005.

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 2005 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. (8% on June 30, 2005) and payable in one lump sum at the end of the loan period. On June 30, 2005, the outstanding balance was \$3,854,000 including accrued interest of approximately \$1,220,000. PDC has directed M&EC to make all payments under the promissory note directly to the IRS to be applied to PDC's obligations under its installment agreement with the IRS.

INSTALLMENT AGREEMENT

Additionally, M&EC entered into an installment agreement with the Internal Revenue Service ("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 2005 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 June 30, 2005, the rate was 8%. On June 30, 2005, the outstanding balance was \$949,000 including accrued interest of approximately \$296,000.

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.

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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 our Form 10-K for the year ended December 31, 2004, and our Form 10-Q for the period ended March 31, 2005, except as stated below:

During February 2005, we received a federal grand jury subpoena requesting documents from the period of January 1, 2000, to the present concerning or relating to Wabash Environmental Technologies, LLC, ("Wabash"), an Indiana based entity that is not affiliated with us. We have been advised that the target of the grand jury investigation is Wabash and that neither we nor any subsidiary of ours is a target of the investigation. We and any subsidiary that had documents concerning or relating to Wabash have compiled responsive documents and complied with the subpoena.

We have previously reported that our subsidiary, PFD, has been performing an extensive internal review as to whether the treatment, storage, processing and disposal of certain waste streams by it were in accordance with applicable environmental laws and regulations. PFD retained outside counsel to assist it in this review. As a result of the review, PFD has notified the Ohio EPA of the following:

- . that PFD discovered an error in its 2003 Annual Hazardous Waste Report, which was submitted to the Ohio EPA. The error was in connection with the reporting of a shipment offsite of certain waste water inadvertently reported as H081 (biological treatment with or without precipitation) in the report. PFD believes a management method code of H129 (other treatment) would have been more appropriate for the entries of these shipments, with filtration as the process. This wastewater was shipped offsite for beneficial reuse. Additional quality control measures have been put in place to reduce the potential for this type of administrative error; and
- . from February, 2003 to November, 2003, PFD received 56 shipments (approximately 273,000 gallons) of hazardous wastewaters from a particular generator. PFD filtered this particular wastewater in its wastewater treatment unit and transmitted this filtered wastewater under a bill of lading to Wabash for beneficial reuse. As part of its internal investigation, it was determined that, while PFD's compliance personnel at the time believed it appropriate to classify this material as meeting the beneficial reuse requirements pursuant to the regulations promulgated under the Resource Conservation and Recovery Act, and shipped such under a straight bill of lading, they also recognized this at that time to be a vague and unclear area of the regulations. Due to the beneficial reuse regulations under RCRA being vague and unclear, PFD has notified Ohio EPA of these facts.

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.

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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 \$35,000,000 of financial assurance coverage and has available capacity to allow for annual inflation and other performance and surety bond requirements. On the fourth and subsequent anniversaries of the contract inception, the Company may elect to terminate this contract. During the second quarter of 2003 we made an upfront payment of \$4,000,000, of which \$2,766,000 represents the full premium for the 25-year term of the policy, and the remaining \$1,234,000, was deposited in a sinking fund account. Additionally, in February 2004 and 2005 we paid the first and second 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 June 30, 2005, we have recorded \$3,216,000 in our Finite Risk Sinking Fund on the balance sheet.

5. ACQUISITIONS

On March 23, 2004, our subsidiary, Perma-Fix of Maryland, Inc. ("PFMD") completed its acquisition of certain assets of USL Environmental Services, Inc. d/b/a A&A Environmental ("A&A"), primarily located in Baltimore, Md., and our subsidiary, Perma-Fix of Pittsburgh, Inc. ("PFP") completed its acquisition of certain assets of US Liquids of Pennsylvania, Inc. d/b/a EMAX ("EMAX"). Both A&A and EMAX are wholly owned subsidiaries of US Liquids Inc. ("USL"). PFMD is using the acquired assets of A&A to provide a full line of environmental, marine and industrial maintenance services. PFMD offers expert environmental services such as 24-hour emergency response, vacuum services, hazardous and non-hazardous waste disposal, marine environmental and other remediation services. PFP is utilizing the acquired assets of EMAX to provide a variety of environmental services such as transportation of drums and bulk loads, tank cleaning, industrial maintenance, dewatering, drum management and chemical packaging. PFP also has a wastewater treatment group, which provides for the treatment of non-hazardous wastewaters such as leachates, oily waters, industrial process waters and off-spec products.

We paid \$2,915,000 in cash for the acquired assets and assumed certain liabilities of A&A and EMAX. The acquisitions were accounted for using the purchase method effective March 23, 2004, and accordingly, the estimated fair values of the assets acquired and liabilities assumed of A&A and EMAX as of this date, and the results of operations since this date, are included in the accompanying consolidated financial statements.

6. DISCONTINUED OPERATIONS

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 the Detroit facility 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.

Expenses of \$122,000 and \$289,000 were recorded during the three and six months ended June 30, 2005, respectively. PFMI recorded revenues of \$740,000 and \$1,398,000, and operating losses of \$472,000 and \$1,025,000 for the three and six months ended June 30, 2004. Assets and liabilities related to the discontinued operation have been reclassified to separate categories in the Consolidated Balance Sheets as of June 30, 2005 and December 31, 2004. As of June 30, 2005, assets are recorded at their net realizable value, and consist of property and equipment of \$603,000, and receivables of \$194,000, which includes \$190,000 for estimated insurance proceeds.

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We submitted three insurance claims 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 the second quarter of 2005, we received a partial payment of \$1,500,000 less adjustor fees of approximately \$105,000, for a net payment of \$1,395,000 from the insurance carrier on the business interruption claim. We are currently negotiating remaining settlement for the

<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenue from external customers	\$ 10,853	\$ 13,807 (3)	\$ 699	\$ 25,359	\$ --	\$ 25,359
Intercompany revenues	618	694	107	1,419	--	1,419
Gross profit	959	6,242	142	7,343	--	7,343
Interest income	1	--	--	1	--	1
Interest expense	157	173	4	334	47	381
Interest expense-financing fees	--	--	--	--	110	110
Depreciation and amortization	484	693	10	1,187	11	1,198
Segment profit (loss)	(1,003)	4,003	42	3,042	(1,638)	1,404
Segment assets(1)	25,715	61,230	2,218	89,163	7,787 (4)	96,950
Expenditures for segment assets	217	574	3	794	18 (4)	812
Total long-term debt	1,476	3,867	27	5,370	11,162 (5)	16,532

SEGMENT REPORTING FOR THE QUARTER ENDED JUNE 30, 2004

<TABLE>
<CAPTION>

	Industrial	Nuclear	Engineering	Segments Total	Corporate (2)	Consolidated Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenue from external customers	\$ 9,791	\$ 8,509 (3)	\$ 828	\$ 19,128	\$ --	\$ 19,128
Intercompany revenues	709	861	158	1,728	--	1,728
Gross profit	2,274	3,160	269	5,703	--	5,703
Interest income	1	--	--	1	--	1
Interest expense	183	415	--	598	(23)	575
Interest expense-financing fees	--	1	--	1	256	257
Depreciation and amortization	574	659	7	1,240	10	1,250
Segment profit (loss)	298	1,332	125	1,755	(1,166)	589
Segment assets(1)	37,166	58,736	2,192	98,094	16,383 (4)	114,477
Expenditures for segment assets	38	867	9	914	66 (4)	980
Total long-term debt	1,766	8,105	34	9,905	13,869 (5)	23,774

SEGMENT REPORTING FOR THE SIX MONTHS ENDED JUNE 30, 2005

<TABLE>
<CAPTION>

	Industrial	Nuclear	Engineering	Segments Total	Corporate (2)	Consolidated Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenue from external customers	\$ 20,802	\$ 24,703 (3)	\$ 1,462	\$ 46,967	\$ --	\$ 46,967
Intercompany revenues	1,239	1,440	222	2,901	--	2,901
Gross profit	2,759	9,787	298	12,844	--	12,844
Interest income	2	--	--	2	--	2
Interest expense	364	347	6	717	76	793
Interest expense-financing fees	--	1	--	1	220	221
Depreciation and amortization	973	1,389	20	2,382	21	2,403
Segment profit (loss)	(1,248)	5,650	73	4,475	(3,025)	1,450
Segment assets(1)	25,715	61,230	2,218	89,163	7,787 (4)	96,950
Expenditures for segment assets	660	874	10	1,544	24 (4)	1,568
Total long-term debt	1,476	3,867	27	5,370	11,162 (5)	16,532

SEGMENT REPORTING FOR THE SIX MONTHS ENDED JUNE 30, 2004

<TABLE>
<CAPTION>

	Industrial	Nuclear	Engineering	Segments Total	Corporate (2)	Consolidated Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenue from external customers	\$ 16,399	\$ 17,984 (3)	\$ 1,556	\$ 35,939	\$ --	\$ 35,939
Intercompany revenues	949	1,849	219	3,017	--	3,017
Gross profit	2,594	6,523	436	9,553	--	9,553
Interest income	2	--	--	2	--	2
Interest expense	344	869	--	1,213	27	1,240
Interest expense-financing fees	--	1	--	1	512	513
Depreciation and amortization	993	1,308	14	2,315	15	2,330
Segment profit (loss)	(1,228)	2,599	193	1,564	(2,420)	(856)
Segment assets(1)	37,166	58,736	2,192	98,094	16,383 (4)	114,477
Expenditures for segment assets	378	1,529	17	1,924	129 (4)	2,053
Total long-term debt	1,766	8,105	34	9,905	13,869 (5)	23,774

- (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 Waste Services segment include the Bechtel Jacobs revenues for the quarter and six months ended June 30, 2005, which total \$4,761,000 or 18.8% and \$6,407,000 or 13.7% of total revenue and \$2,609,000 or 13.7% and \$4,125,000 or 11.5% for the same periods in 2004.
- (4) Segment assets include assets from Perma-Fix of Michigan, Inc., ("PFMI") a discontinued operation from the Industrial segment, of approximately

\$797,000 and \$9,391,000 as of June 30, 2005 and 2004, respectively. Expenditures for segment assets include expenditures from PFMI of \$3,000 for the three and six months ended June 30, 2005, and \$58,000 and \$77,000 for the three and six months ended June 30, 2004, 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,

- . improve our operations and liquidity;
- . anticipated improvement in the financial performance of the Company;
- . ability to comply with the Company's general working capital requirements;
- . ability to be able to continue to borrow under the Company's revolving line of credit;
- . ability to generate sufficient cash flow from operations to fund all costs of operations and remediation of certain formerly leased property in Dayton, Ohio, and the Company's facilities in Memphis, Tennessee; Detroit, Michigan; Valdosta, Georgia; Ft. Lauderdale, Florida; and Tulsa, Oklahoma;
- . ability to remediate certain contaminated sites for projected amounts;
- . ability to fund budgeted capital expenditures during 2005;
- . increasing other sources of revenue at M&EC;
- . growth of our Nuclear segment; o expectation that there will be a further decline in Section 404 of Sarbanes-Oxley related third party changes for the third and fourth quarters of 2005.
- . ability to close and remediate the Michigan facility for the estimated amounts; and
- . no expectation to close any facilities, other than the Michigan facility.

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

- . general economic conditions;
- . material reduction in revenues;
- . inability to collect in a timely manner a material amount of receivables;
- . increased competitive pressures;
- . the ability to maintain and obtain required permits and approvals to conduct operations;
- . the ability to develop new and existing technologies in the conduct of operations;
- . ability to retain or renew certain required permits;

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- . 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; Ft. Lauderdale, Florida; and Tulsa, Oklahoma, which would result in a material increase in remediation expenditures;
- . changes in federal, state and local laws and regulations, especially environmental laws and regulations, or in interpretation of such;

- . Fluctuation of variable interest rates could materially affect our estimated future payments of interest on our variable rate debt.
- . potential increases in equipment, maintenance, operating or labor costs;
- . management retention and development;
- . financial valuation of intangible assets is substantially less than expected;
- . termination of the Oak Ridge Contracts as a result of our lawsuit against Bechtel Jacobs or otherwise;
- . the requirement to use internally generated funds for purposes not presently anticipated;
- . inability to continue to be profitable on an annualized basis;
- . the inability of the Company to maintain the listing of its Common Stock on the NASDAQ;
- . the determination that PFMI, PFSG, or PFO was responsible for a material amount of remediation at certain superfund sites;
- . terminations of contracts with federal agencies or subcontracts involving federal agencies, or reduction in amount of waste delivered to the Company under these contracts or subcontracts;
- . 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; and

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.

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The second quarter of 2005 reflected a revenue increase of 32.6% or \$6.2 million over the same period of 2004, with both the Industrial and Nuclear segments contributing to this increase. Revenues for the second quarter totaled \$25.4 million, the highest quarterly revenue total in our history. The Nuclear segment achieved a 62.3% or \$5.3 million increase in revenues, which also represents the highest Nuclear segment revenue quarter in our history. We continue to experience growth and profitability within our Nuclear segment, which can be partially attributed to increased shipments, favorable product mix, improvements in our treatment processes and operational efficiencies. The Oak Ridge contracts with Bechtel Jacobs have been extended through August 2005. We are currently working with Bechtel Jacobs to extend these contracts through June 2007, with several pricing modifications. However, there are no assurances we will be successful in extending these contracts. The Nuclear segment achieved a 45.2% gross margin for the quarter and a segment profit of \$4.0 million. In contrast, the performance of the Industrial segment did not meet expectations this quarter. Despite the encouraging increase in the Industrial segment revenues of \$1.1 million or 10.8%, the gross profit and net loss were well below our established goals for the segment. We are continuing our evaluation of the segment and the thorough review of the pricing and cost structure impacting these results. As a result of the balance sheet restructuring activities of 2004 and improved cash flow, our interest expense for the second quarter was down \$194,000 and our interest expense-financing fees were down \$147,000 from the same period of 2004. On a consolidated basis we were able to achieve a \$1.2 million net income applicable to Common Stock for the second quarter of 2005, an increase of \$1,165,000 over the same period of 2004. We also improved our working capital position, continued to repay our long term debt, including the prepayment of the \$3.5 million unsecured promissory note which was due in August 2005, and strengthened our balance sheet during the quarter.

RESULTS OF OPERATIONS

The reporting of financial results and pertinent discussions are tailored to

three reportable segments: Industrial Waste Management Services ("Industrial"), Nuclear Waste Management Services ("Nuclear") and Consulting Engineering Services ("Engineering"). The table below should be used when reviewing management's discussion and analysis for the three and six months ended June 30, 2005 and 2004:

<TABLE>
<CAPTION>

Consolidated (amounts in thousands)	Three Months Ended June 30,				Six Months Ended June 30,			
	2005	%	2004	%	2005	%	2004	%
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net revenues	\$ 25,359	100.0	\$ 19,128	100.0	\$ 46,967	100.0	\$ 35,939	100.0
Cost of goods sold	18,016	71.0	13,425	70.2	34,123	72.7	26,386	73.4
Gross profit	7,343	29.0	5,703	29.8	12,844	27.3	9,553	26.6
Selling, general and administrative	5,741	22.6	4,320	22.6	10,660	22.7	8,658	24.1
Gain on disposal of property & equipment	(337)	(1.3)	(1)	--	(337)	(.7)	(18)	--
Income from operations	\$ 1,939	7.7	\$ 1,384	7.2	\$ 2,521	5.3	\$ 913	2.5
Interest expense	\$ (381)	(1.5)	\$ (575)	(3.0)	\$ (793)	(1.7)	\$ (1,240)	(3.5)
Interest expense-financing fees	(110)	(.4)	(257)	(1.3)	(221)	(.5)	(513)	(1.4)
Other income (expense)	(45)	(.2)	36	.2	(59)	(.1)	(18)	--
Income (loss) from continuing operations	1,404	5.5	589	3.1	1,450	3.1	(856)	(2.4)
Preferred Stock dividends	(47)	(.2)	(47)	(.2)	(94)	(.2)	(94)	(.3)

</TABLE>

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SUMMARY - THREE AND SIX MONTHS ENDED JUNE 30, 2005 AND 2004

Net Revenue

Consolidated revenues increased for the three months ended June 30, 2005, compared to the three months ended June 30, 2004, as follows:

<TABLE>

<CAPTION>

(In thousands)	2005	% Revenue	2004	% Revenue	Change	% Change
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Nuclear						
Government waste	\$ 3,285	13.0	\$ 2,131	11.1	\$ 1,154	54.2
Hazardous/Non-hazardous	1,234	4.8	1,320	6.9	(86)	(6.5)
Other nuclear waste	4,527	17.8	2,449	12.8	2,078	84.9
Bechtel Jacobs	4,761	18.8	2,609	13.7	2,152	82.5
Total	13,807	54.4	8,509	44.5	5,298	62.3
Industrial Revenues						
Commercial waste	6,873	27.1	5,649	29.5	1,224	21.7
Government services	1,477	5.8	1,450	7.6	27	1.9
Acquisitions	2,503	9.9	2,692	14.1	(189)	(7.0)
Total	10,853	42.8	9,791	51.2	1,062	10.8
Engineering	699	2.8	828	4.3	(129)	(18.5)
Total	\$ 25,359	100.0	\$ 19,128	100.0	\$ 6,231	32.6

</TABLE>

We experienced revenue growth in both the Nuclear and Industrial segments during the second quarter of 2005. The increase in the Nuclear segment is partially due to an overall increase in the Bechtel Jacobs revenue, as a result of increased receipts, processing and disposal revenue realized for the quarter. This increase in the quarter is partially due to our efforts to have Bechtel Jacobs expand the shipments of waste typically received during the third quarter, over a longer time period, as well as Bechtel Jacobs' need to reach certain milestone goals. The Oak Ridge contracts revenue is included under Bechtel Jacobs. Government waste revenue also increased during the quarter, as a result of additional receipts from newer contracts and the need to meet certain deadlines imposed on the contractors. Additionally, the increase is due to continued growth within the mixed waste market as our facilities demonstrate their ability to accept and process more complex waste streams, including additional contracts, such as a contract awarded by a Fortune 500 company in late June 2004 to treat and dispose of mixed waste from research and development activities. See "Known Trends and Uncertainties - Significant Contracts" of this Management's Discussion and Analysis. The increase in revenues in the Industrial segment was related to increased commercial waste revenue, primarily due to additional sales from the cruise line industry, increased oil sales, and an expanded contract to service a national home improvement chain. The expanded contract increased the service area as well as extended the term of the contract for two years.

Consolidated revenues increased for the six months ended June 30, 2005, compared to the six months ended June 30, 2004, as follows:

<TABLE> <CAPTION> (In thousands)	2005	% Revenue	2004	% Revenue	Change	% Change
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Nuclear						
Government waste	\$ 8,451	18.0	\$ 7,592	21.1	\$ 859	11.3
Hazardous/Non-hazardous	2,785	5.9	1,651	4.6	1,134	68.7
Other nuclear waste	7,060	15.0	4,616	12.9	2,444	52.9
Bechtel Jacobs	6,407	13.7	4,125	11.5	2,282	55.3
Total	24,703	52.6	17,984	50.1	6,719	37.4
Industrial Revenues						
Commercial waste	12,994	27.7	10,326	28.7	2,668	25.8
Government services	2,797	6.0	2,876	8.0	(79)	(2.7)
Acquisitions	5,011	10.6	3,197	8.9	1,814	56.7
Total	20,802	44.3	16,399	45.6	4,403	26.8
Engineering	1,462	3.1	1,556	4.3	(94)	(6.0)
Total	\$ 46,967	100.0	\$ 35,939	100.0	\$ 11,028	30.7

We experienced revenue growth in both the Nuclear and Industrial segments during the first six months of 2005. As with the quarter, the increase in the Nuclear segment for the six months is partially due to an increase in the Bechtel Jacobs revenue, and overall government waste revenue. The Oak Ridge contracts revenue is included under Bechtel Jacobs. Additionally, the increase is due to the continued growth within the mixed waste market as our facilities demonstrate their ability to accept and process more complex waste streams, including additional contracts, such as the contract awarded by a Fortune 500 company, as discussed above. See "Known Trends and Uncertainties - Significant Contracts" of this Management's Discussion and Analysis for discussion on the Fortune 500 contract and the Oak Ridge contracts, including renewal negotiations. Nuclear segment revenues from hazardous and non-hazardous waste streams also increased as a result of the special event soil projects performed for existing industrial customers. The backlog of stored waste within the Nuclear segment at June 30, 2005, was approximately \$14,924,000, compared to \$16,247,000 at December 31, 2004. The increase in revenues in the Industrial segment was principally related to increased commercial waste revenue, due to additional sales from the cruise line industry, increased oil sales, and an expanded contract to service a national home improvement chain. The Industrial segment revenues also increased as a result of revenues from two facilities acquired in March 2004.

Cost of Goods Sold
 Cost of goods sold increased for the quarter ended June 30, 2005, compared to the quarter ended June 30, 2004, as follows:

<TABLE> <CAPTION> (In thousands)	2005	% Revenue	2004	% Revenue	Change
<S>	<C>	<C>	<C>	<C>	<C>
Nuclear	\$ 7,565	54.8	\$ 5,349	62.9	\$ 2,216
Industrial	9,894	91.2	7,517	76.8	2,377
Engineering	557	79.7	559	67.5	(2)
Total	\$ 18,016	71.0	\$ 13,425	70.2	\$ 4,591

The increase in cost of goods sold was present in both the Nuclear and Industrial segments. The increase in the Industrial segment predominantly correlates to the additional revenues, which is principally a result of increased disposal, transportation and other operating material costs associated with the increase in revenue. The segment also experienced an increase due to unexpected PCB contamination of our fuel oil inventory and other one time processing related expenses. The PCB contamination was due to one of our facilities inadvertently receiving PCB contaminated oil at levels greater than its permit allows, resulting in this facility having to record an accrual to remediate the PCB contamination at an estimated cost of approximately \$398,000 during the second quarter of 2005. The Nuclear segment increase principally relates to the additional revenues during the quarter, however, as a result of improved processing efficiencies, the percentage increase wasn't as great as the increase in revenues. The Engineering segment remained relatively constant, but as a percentage of revenue increased due to the high fixed cost nature of the segment. Included within cost of goods sold is depreciation and amortization expense of \$1,112,000 and \$1,185,000 for the quarters ended June 30, 2005 and 2004, respectively, reflecting a decrease of \$73,000 over 2004. As a percentage of revenue, cost of goods sold increased by 0.8%.

Cost of goods sold increased for the six months ended June 30, 2005, compared to

the six months ended June 30, 2004, as follows:

(In thousands)	2005	% Revenue	2004	% Revenue	Change
<S>	<C>	<C>	<C>	<C>	<C>
Nuclear	\$ 14,916	60.4	\$ 11,461	63.7	\$ 3,455
Industrial	18,043	86.7	13,805	84.2	4,238
Engineering	1,164	79.6	1,120	72.0	44
Total	\$ 34,123	72.7	\$ 26,386	73.4	\$ 7,737

The increase in cost of goods sold was experienced among all segments. The increase in the Industrial segment partially correlates to the additional cost of goods sold of \$2,246,000 associated with the two facilities acquired, as of March 23, 2004. In addition to the increase in operating costs discussed above, the Industrial segment experienced an increase related to the increase in revenue from the expanded contract to service a national home improvement chain. The Nuclear segment increase principally relates to the additional revenues experienced by the segment, and the additional costs of payroll, disposal, and transportation associated with those revenues. The Engineering segment also experienced an increase primarily related to increased payroll costs associated with internal permit renewal and compliance related projects. Included within cost of goods sold is depreciation and amortization expense of \$2,225,000 and \$2,207,000 for the six months ended June 30, 2005 and 2004, respectively, reflecting a decrease of \$105,000 over 2004. As a percentage of revenue, cost of goods sold decreased by 0.7%.

Gross Profit
Gross profit for the quarter ended June 30, 2005, increased over 2004, as follows:

(In thousands)	2005	% Revenue	2004	% Revenue	Change
<S>	<C>	<C>	<C>	<C>	<C>
Nuclear	\$ 6,242	45.2	\$ 3,160	37.1	\$ 3,082
Industrial	959	8.8	2,274	23.2	(1,315)
Engineering	142	20.3	269	32.5	(127)
Total	\$ 7,343	29.0	\$ 5,703	29.8	\$ 1,640

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The resulting gross profit increase is due to the Nuclear segment reflecting the incremental value of increased revenues and the favorable product mix during the quarter. Also, impacting the increase are improved margins from handling more complex and diverse waste. Offsetting this increase in gross profit, was a decrease in the Industrial segment as a result of the lower margin revenue mix and increased cost of goods sold related to PCB contamination at one of our facilities, as discussed above, and other one time processing charges. The Engineering segment also experienced a decrease in gross profit principally as a result of decreased revenues. Gross profit as a percentage of revenue experienced a slight decrease due to the increased cost of goods sold for the Industrial segment, explained above. The decrease in the gross profit percentage was reduced by an increase in the gross profit percentage from the Nuclear segment due to improved efficiencies in the segment as it matures.

Gross profit for the six months ended June 30, 2005, increased over 2004, as follows:

(In thousands)	2005	% Revenue	2004	% Revenue	Change
<S>	<C>	<C>	<C>	<C>	<C>
Nuclear	\$ 9,787	39.6	\$ 6,523	36.3	\$ 3,264
Industrial	2,759	13.3	2,594	15.8	165
Engineering	298	20.4	436	28.0	(138)
Total	\$ 12,844	27.3	\$ 9,553	26.6	\$ 3,291

The resulting gross profit increase is principally attributable to the Nuclear segment reflecting the incremental value of increased revenues and the favorable product mix during the six months. The increase is also impacted by improved margins from handling more complex and diverse waste. The Industrial segment experienced an increase in gross profit. However, as a percentage of revenue the segment experienced a decrease as a result of the lower margin revenue mix, increased cost of goods sold related to PCB contamination at one of our facilities and other one time processing charges. The Engineering segment also experienced a decrease in gross profit as a result of decreased revenues. Gross profit as a percentage of revenue experienced a slight increase and was impacted by the increased cost of goods sold for the Industrial segment, explained above.

Selling, General and Administrative

Selling, general and administrative ("SG&A") expenses increased for the three months ended June 30, 2005, as compared to the corresponding period for 2004, as follows:

(In thousands)	2005	% Revenue	2004	% Revenue	Change
Administrative	\$ 1,481	--	\$ 937	--	\$ 544
Nuclear	2,063	14.9	1,436	16.9	627
Industrial	2,100	19.3	1,797	18.4	303
Engineering	97	13.9	150	18.1	(53)
Total	\$ 5,741	22.6	\$ 4,320	22.6	\$ 1,421

</TABLE>

The change in the corporate administrative overhead is due to increased payroll and benefits, as a result of our focus on strengthening our corporate governance structure and information services infrastructures. The corporate overhead increase is also from a refund in 2004 due to an insurance audit, which we did not benefit from in 2005, and due to legal and environmental consulting fees related to an extensive internal review we have performed at our Industrial facility in Dayton, Ohio. The increase in SG&A in the Nuclear segment was a result of increased payroll and benefits, and general administrative expenses as the segment works to build a stronger management and support team. The Industrial segment also experienced an increase in SG&A from increased payroll and benefits, as well as legal fees and other costs incurred to supply documents in connection with an investigation of an unrelated entity, Wabash Environmental Technologies ("Wabash"). For further discussion on our review of our Dayton facility and Wabash, see Known Trends and Uncertainties later in this Management's Discussion and Analysis. SG&A expense includes depreciation and amortization expense of \$86,000 and \$65,000 for the quarters ended June 30, 2005 and 2004, respectively.

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SG&A expenses increased for the six months ended June 30, 2005, as compared to the corresponding period for 2004, as follows:

(In thousands)	2005	% Revenue	2004	% Revenue	Change
Administrative	\$ 2,729	--	\$ 1,825	--	\$ 904
Nuclear	3,773	15.3	3,074	17.1	699
Industrial	3,938	18.9	3,502	21.3	436
Engineering	220	15.0	257	16.5	(37)
Total	\$ 10,660	22.7	\$ 8,658	24.1	\$ 2,002

</TABLE>

As with the quarter, the change in the corporate administrative overhead is due to increased payroll and benefits, as a result of our focus on corporate governance and information services, the insurance refund in 2004 due to an insurance audit, and legal and environmental consulting fees related to the extensive internal review performed on our treatment of certain waste at our Industrial facility in Dayton, Ohio. The increase in administrative overhead was also from third party charges incurred for additional audit fees, and compliance work performed with regard to Sarbanes Oxley and completion of the related internal control assessment required under Section 404 of the Act. As we have completed the initial year of assessment and documentation we are seeing a decline in the third party charges related to Section 404 and expect to see a further decline in the third and fourth quarters of 2005, as compared to the same periods of 2004, which reflect the bulk of Section 404 expenditures for the initial year. The increase in SG&A in the Nuclear segment was a result of increased payroll and benefits, as the segment works to build stronger management and support team, and increased franchise taxes. The increase in the Industrial segment was also from increased payroll and benefits, legal fees and other costs incurred to supply documents in connection with an investigation of Wabash, an unrelated entity. For further discussion on our review of our Dayton facility and Wabash, see Known Trends and Uncertainties later in this Management's Discussion and Analysis. Included in the increase in the Industrial segment were the full six months of expenses related to the two facilities acquired, effective March 23, 2004. SG&A expense includes depreciation and amortization expense of \$178,000 and \$123,000 for the six months ended June 30, 2005 and 2004, respectively.

Gain on Disposal of Property and Equipment

During June 2005, we sold property at our facility in Maryland. The sale was for net proceeds of \$695,000, for land and building with a net book value of \$332,000. The resulting gain of \$363,000 was included in income from operations, and was partially offset by losses on disposal of other equipment of approximately \$26,000.

Interest Expense

Interest expense decreased for the quarter and six months ended June 30, 2005, as compared to the corresponding period of 2004.

<TABLE>

<CAPTION>

(In thousands)	Three Months			Six Months		
	2005	2004	Change	2005	2004	Change
<S>	<C>	<C>	<C>	<C>	<C>	<C>
PNC interest	\$ 159	\$ 141	\$ 18	\$ 354	\$ 343	\$ 11
AMI/BE	--	190	(190)	--	380	(380)
Other	222	244	(22)	439	517	(78)
Total	\$ 381	\$ 575	\$ (194)	\$ 793	\$ 1,240	\$ (447)

</TABLE>

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This decrease principally reflects the impact of the prepayment in full of the AMI/BE 13.5% senior subordinated debt in August 2004. We also experienced a decrease in interest expense due to the final repayment of debt associated with our 1999 acquisitions, which was completed in June 2004, and from the final repayment of debt to various other lenders as our overall debt position continues to improve. Offsetting these decreases, was an increase in PNC interest which was a result of a decreased revolver balance in 2004, between the time the equity was raised in our private placement during March 2004, and the AMI/BE debt was paid.

Interest Expense - Financing Fees

Interest expense-financing fees decreased approximately \$147,000 for the quarter ended June 30, 2005, as compared to the corresponding period of 2004. This decrease was principally due to the write-off of \$1,217,000 of prepaid financing fees and debt discount associated with the early termination of senior subordinated notes, which were paid in full in August 2004. The remaining financing fees are principally associated with the PNC revolving credit and term loan, and are amortized to expense over the term of the loan agreements. As of June 30, 2005, the unamortized balance of prepaid financing fees is \$507,000, which is comprised of \$220,000 from the original debt and \$287,000 associated with Amendment No. 4 and Amendment No. 5. These prepaid financing fees will be amortized through May 2008.

Interest expense-financing fees decreased approximately \$292,000 for the six months ended June 30, 2005, as compared to the corresponding period of 2004. This decrease was principally due to the write-off of \$1,217,000 of prepaid financing fees and debt discount associated with the early termination of senior subordinated notes, which were paid in full in August 2004.

Preferred Stock Dividends

Preferred Stock dividends remained constant at approximately \$47,000 for the three months ended June 30, 2005, and 2004, and \$94,000 for the six months ended June 30, 2005 and 2004. The Preferred dividends are comprised of approximately \$31,000 and \$62,000 in dividends from our Series 17 Preferred Stock for the three and six months, respectively, and \$16,000 and \$32,000 from the accrual of preferred dividends on the Preferred Stock of our subsidiary, M&EC, for the three and six months, respectively.

DISCONTINUED OPERATIONS

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 the Detroit facility 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.

Expenses of \$122,000 and \$289,000 were recorded during the three and six months ended June 30, 2005, respectively. PFMI recorded revenues of \$740,000 and \$1,398,000, and operating losses of \$472,000 and \$1,025,000 for the three and six months ended June 30, 2004. Assets and liabilities related to the discontinued operation have been reclassified to separate categories in the Consolidated Balance Sheets as of June 30, 2005 and December 31, 2004. As of June 30, 2005, assets are recorded at their net realizable value, and consist of property and equipment of \$603,000, and receivables of \$194,000, which includes \$190,000 for estimated insurance proceeds. We submitted three insurance claims 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 the second quarter of 2005, we received a partial payment of \$1,500,000 less adjuster fees of approximately \$105,000, for a net payment of \$1,395,000 from the insurance carrier on the business interruption claim. We are currently negotiating remaining settlement for the claims, but at this time we cannot estimate actual proceeds to be received. Additional proceeds, beyond the remaining balance, if any, received on these claims will be recorded as income from discontinued operations. Liabilities as of June 30, 2005, consist of accounts payable and current accrued expenses of \$1,835,000 and environmental accruals of \$2,000,000.

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Included in current accruals is a pension plan withdrawal liability, which is a result of the termination of substantially all 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. At June 30, 2005, we had a recorded pension withdrawal liability of \$1,680,000, based upon an actuarial study. This withdrawal liability represents our best estimate, and is subject to numerous factors such as the date and timing of union employee terminations, partial versus complete termination status, the pension funds unfunded vested benefit liability and PFMI's portion of such liability. This obligation is recorded as a current liability, but may not be paid out in the current year due to the timing of the termination event and process of determining the final liability.

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 arrived at our best estimate of the cost of this environmental closure and remediation liability of \$2,464,000. We have spent approximately \$464,000 of this closure cost estimate since September 30, 2004, of which approximately \$348,000 was spent in the first six months of 2005. In the event we retain the PFMI facility, we anticipate spending an additional \$400,000 within the next year and 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 June 30, 2005, we had cash of \$100,000. The following table reflects the cash flow activities during the first six months of 2005.

(In thousands)	2005
Cash provided by operations	\$ 4,122
Cash used in investing activities	(1,396)
Cash used in financing activities	(2,841)
Decrease in cash	\$ (115)

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 June 30, 2005, 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 \$26,678,000, a decrease of \$514,000 from the December 31, 2004, balance of \$27,192,000. Included in this decrease, was a decrease in the accounts receivable from the Industrial segment of \$1,495,000 primarily resulting from increased collection efforts, due to increased staffing and focus on receivables collection. The Engineering segment also experienced a decrease of \$26,000. The Nuclear segment experienced an increase of \$1,007,000 as a result of higher revenues in the second quarter and the complexity involved with government accounts which require a greater amount of documentation that results in delays in the collection of these receivables.

As of June 30, 2005, total consolidated accounts payable was \$6,788,000, an increase of \$259,000 from the December 31, 2004, balance of \$6,529,000. Accounts payable increased due to additional operating expenses associated with increased revenues during the second quarter of 2005. Included in this increase are invoices related to a large contaminated soil job completed in the second quarter and previously accrued hazardous waste taxes payable at the beginning of the third quarter. Additionally, accounts payable increased as we continue to fund capital expenditures through the use of working capital.

Accrued Expenses as of June 30, 2005, totaled \$11,027,000, a decrease of \$1,073,000 from the December 31, 2004, balance of \$12,100,000. 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 and second quarters for insurance payables of \$1,196,000, royalty settlement payments of \$225,000, and other environmental issue payments related to Title V air issues, offset by increases in other operational accruals.

The working capital position at June 30, 2005, was \$2,235,000 as compared to a

working capital deficit of \$497,000 at December 31, 2004. The increase in this position of \$2,732,000 is principally a result of the current liabilities decrease of \$5,808,000, partially offset by a decrease in current assets of \$3,076,000. The decrease in current liabilities is principally a result of the prepayment of the unsecured promissory note in the amount of \$3,500,000 plus interest of \$202,000. Additionally, current liabilities decreased as a result of payments of liabilities utilizing improved cash flow generated from greater profitability, the receipt of cash related to the sale of property in Maryland and the receipt of the partial payment on insurance claims. Our working capital position continues to experience the negative impact of certain liabilities associated with discontinued operations.

Investing Activities

Our purchases of capital equipment for the six-month period ended June 30, 2005, totaled approximately \$1,568,000 of which \$465,000 was financed, resulting in \$1,103,000, funded out of cash flow. These expenditures were for expansion and improvements to the operations principally within the Nuclear and Industrial segments. These capital expenditures were principally funded by the cash provided by operations, and through various other lease financing. We budgeted capital expenditures of approximately \$6,000,000 for fiscal year 2005, which includes an estimated \$523,000 to complete certain current projects in process at December 31, 2004, as well as other identified capital and permit compliance purchases. Our purchases during the first six months of 2005 include approximately \$233,000 of those projects in process at December 31, 2004. Certain of these budgeted projects are discretionary and may either be delayed until later in the year or deferred altogether. Historically, our actual capital spending for a given year has been 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.

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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 \$28,546,000 at June 30, 2005, and has available capacity to allow for annual inflation and other performance and surety bond requirements. This finite risk insurance policy required an upfront payment of \$4.0 million, of which \$2,766,000 represents the full premium for the 25-year term of the policy, and the remaining \$1,234,000, to be deposited in a sinking fund account representing a restricted cash account. Additionally, in February 2004 and 2005, we paid the first and second 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 June 30, 2005, we have recorded \$3,216,000 in our sinking fund on the balance sheet. 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.

On March 23, 2004, our subsidiary, PFMD completed its acquisition of certain assets of A&A and our subsidiary, PFP completed its acquisition of certain assets of EMAX. We paid \$2,915,000 in cash for the acquired assets and assumed liabilities of A&A and EMAX, using funds received in connection with the private placement discussed below, under financing activities.

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. The Agreement provided for a term loan ("Term Loan") in the amount of \$7,000,000, which requires principal repayments based upon a seven-year amortization, payable over five years, with monthly installments of \$83,000 and the remaining unpaid principal balance due on December 22, 2005. 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 Agent reasonably deems proper and necessary. As of June 30, 2005, the excess availability under our Revolving Credit was \$10,217,000 based on our eligible receivables.

Effective March 25, 2005, the Company and PNC entered into an amended agreement (Amendment No. 4), which, among other things, extends the \$25 million credit facility through May 31, 2008. The other terms of the credit facility remain principally unchanged, as a result of the amendment, with the exception of a 50 basis point reduction in the variable interest rate on both loans.

On June 29, 2005, we entered into an amendment ("Amendment No. 5") to the Agreement. Pursuant to Amendment No. 5, PNC increased our Term Loan by approximately \$4.4 million, resulting in a Term Loan of \$7 million. Under Amendment No. 5, the Term Loan continues to be payable in monthly installments of approximately \$83,000, plus accrued interest, with the remaining unpaid

principal balance and accrued interest, payable in May 2008, upon termination of the amended Agreement. As part of Amendment No. 5, certain of our subsidiaries have modified or granted mortgages to PNC on their facilities, in addition to the collateral previously granted to PNC under the Agreement. All other terms and conditions to the Agreement, remain principally unchanged. We used the additional loan proceeds to prepay a \$3.5 million unsecured promissory note, which was due and payable in August 2005, and the balance was used for general working capital. As a condition of Amendments No. 4 and 5, we paid a \$140,000 fee to PNC.

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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.

On August 31, 2000, as part of the consideration for the purchase of Diversified Scientific Services, Inc. ("DSSI"), we issued to Waste Management Holdings a long-term unsecured promissory note (the "Unsecured Promissory Note") in the aggregate principal amount of \$3,500,000, bearing interest at a rate of 7% per annum and having a five-year term with interest to be paid annually and principal due in one lump sum at the end of the term of the Unsecured Promissory Note (August 2005). This debt balance was reclassified in its entirety from long term to current in the third quarter of 2004. We utilized the proceeds of the amended agreement with PNC, mentioned above, to repay this note in June 2005.

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 2005 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. (8% on June 30, 2005) and payable in one lump sum at the end of the loan period. On June 30, 2005, the outstanding balance was \$3,854,000 including accrued interest of approximately \$1,220,000. PDC has directed M&EC to make all payments under the promissory note directly to the IRS to be applied to PDC's obligations under its installment agreement with the IRS.

Additionally, M&EC entered into an installment agreement with the Internal Revenue Service ("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 2005 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 June 30, 2005, the rate was 8%. On June 30, 2005, the outstanding balance was \$949,000 including accrued interest of approximately \$296,000.

On March 22, 2004, we completed a private placement for gross proceeds of approximately \$10,386,000 through the sale of 4,616,113 shares of our Common Stock at \$2.25 per share and Warrants to purchase an additional 1,615,638 shares of our Common Stock exercisable at \$2.92 per share and a term of three years. The private placement was sold to fifteen accredited investors. The net cash proceeds received of \$9,870,000, after paying placement agent fees, and other related expenses, were used in connection with the acquisitions of certain acquired assets of A&A and EMAX discussed above, and to pay down the Revolving Credit. We subsequently reborrowed the private placement funds from the revolving credit facility in August 2004, and prepaid the higher interest, 13.5% Notes, as discussed above. We also issued Warrants to purchase an aggregate of 160,000 shares of our Common Stock, exercisable at \$2.92 per share and with a three year term, for consulting services related to the private placement.

We have outstanding 2,500 shares of Preferred Stock, with each share having a liquidation preference of \$1,000 ("Liquidation Value"). Annual dividends on the Preferred Stock are 5% of the Liquidation Value. Dividends on the Preferred Stock are cumulative, and are payable, if and when declared by our Board of Directors, on a semiannual basis. Dividends on the outstanding Preferred Stock may be paid at our option, if declared by the Board of Directors, in cash or in shares of our Common Stock.

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During 2005, accrued dividends for the period July 1, 2004, through December 31, 2004, in the amount of approximately \$63,000 were paid in cash in March 2005. The accrued dividends for the period January 1, 2005, through June 30, 2005, in the amount of approximately \$62,000 will be paid in August 2005.

In summary, we have continued to take steps to improve our operations and liquidity, as discussed above. 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. We have also been successful in reducing our overall debt position. However, we continue to invest our working capital back into our facilities to fund capital additions within both the Nuclear and Industrial segments. Further offsetting these positives is the continued negative impact of current reserves recorded on discontinued operations and the continuing losses sustained by our Industrial segment. Although we have been able to increase the revenues of our Industrial segment, we have not yet been able to bring this segment into a profitable position. 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 remain profitable over the foreseeable future,

such would have a material adverse effect on our liquidity position.

CONTRACTUAL OBLIGATIONS

The following table summarizes our contractual obligations at June 30, 2005, 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			
		2005	2006 - 2008	2009 - 2010	After 2010
<S>	<C>	<C>	<C>	<C>	<C>
Long-term debt	\$ 16,532	\$ 1,452	\$ 14,935	\$ 145	\$ --
Interest on long-term debt (1)	1,516	--	1,516	--	--
Interest on variable rate debt (2)	1,474	323	1,151	--	--
Operating leases	3,204	909	2,244	51	--
Finite risk policy (3)	7,026	--	3,011	2,008	2,007
Pension withdrawal liability (4)	1,680	1,680	--	--	--
Environmental Contingencies (5)	4,680	491	3,164	349	676
Purchase obligations (6)	--	--	--	--	--
Total contractual obligations	\$ 36,112	\$ 4,855	\$ 26,021	\$ 2,553	\$ 2,683

</TABLE>

(1) Our IRS Note and PDC Note agreements state that the interest on those notes is paid at the end of the term, December 2008.

(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 a 0.25% increase in prime rate in the remaining months of 2005, and prime rate increases of 0.5% in 2006, 0.25% in 2007 and 0.5% in 2008. We anticipate a full repayment of our Revolving Credit by December 2006, and full repayment of our Term Loan by May of 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.

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(4) The pension withdrawal liability is the estimated liability to us upon termination of substantially all of our union employees at our discontinued operation, PFMI. See Discontinued Operation 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 the consolidated financial statements in conformity with generally accepted accounting principles, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as, the reported amounts of revenues and expenses during the reporting period. We believe the following critical accounting policies affect the more significant estimates used in preparation of the consolidated financial statements:

Revenue Recognition Estimates. Effective September 1, 2003 we refined our 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 have continued 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, as such we don't use percentage of completion estimates in our Industrial segment. We 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 the amounts that are uncollectable. We regularly review all accounts receivable balances that exceed 60 days from the invoice date and based on an assessment of current credit worthiness,

estimate the portion, if any, of the balances that are uncollectable. Specific accounts that are 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 balances 91-120 days and 40% for balances over 120 days aged), based on a historical valuation, that allows us to calculate the total reserve required. This allowance was approximately 0.7%, of revenue and approximately 2.1%, of accounts receivable for 2004. Additionally, this allowance was approximately 1.1% of revenue for the six months ended June 30, 2005, and approximately 1.9% of accounts receivable for 2005.

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 propriety 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, 2004, resulted in an impairment of goodwill and permits, in our Industrial segment in the amounts of \$4,886,000 and \$4,116,000, respectively, which resulted in remaining balance of Industrial segment intangible permits in the amount of \$2,370,000. 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.

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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 2005 and 2004, have been approximately 2.1%, and 1.6%, 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, with the exception of the Michigan facility, we have no intention, at this time, to close any of our facilities.

Accrued Environmental Liabilities. We have six remediation projects currently in progress. The current and long-term accrual amounts for the projects are our best estimates based on proposed or approved processes for clean-up. The circumstances that could affect the outcome range from new technologies that are being developed every day to reduce our overall costs, to increased contamination levels that could arise as we complete remediation which could increase our costs, neither of which we anticipate at this time. In addition, significant changes in regulations could adversely or favorably affect our costs to remediate existing sites or potential future sites, which cannot be reasonably quantified. We have also accrued long-term environmental liabilities for our recently acquired facilities, however, as these are not permitted facilities 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. As there are limited disposal sites available to us, a change in the number of available sites or an increase or decrease in demand for the existing disposal areas could significantly affect the actual disposal costs either positively or negatively.

KNOWN TRENDS AND UNCERTAINTIES

Seasonality. Historically we have experienced reduced revenues, operating losses 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 activities during the holiday season and through January and February of the first quarter. During our second and third fiscal quarters there has historically been an increase in revenues and operating profits. Management expects this trend to continue in future years. 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 experiences 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 is generally seasonably slow, as the governmental budgets are still being finalized, planning for the new year is occurring and we enter the holiday season. However, we have 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. This maturing process of our Nuclear segment has helped smooth revenues from quarter to quarter.

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 believe that our revenues and profits were negatively affected within this segment by the recessionary conditions in 2004. However, we feel that these conditions have stabilized in 2005 as evidenced by increases in commercial waste revenues.

Significant Contracts. Our revenues are principally derived from numerous and varied customers. However, our Nuclear segment has a significant relationship with Bechtel Jacobs. Bechtel Jacobs is the DOE's appointed manager of the environmental program to perform certain treatment and disposal services in Oak Ridge, Tennessee. In this capacity Bechtel Jacobs entered into certain subcontracts with our Oak Ridge, Tennessee subsidiary ("M&EC"). Our revenues from Bechtel Jacobs contributed 18.8% and 13.7% of total consolidated revenues in the quarter and six months ended June 30, 2005 and 13.7% and 11.5% of total consolidated revenues during the same periods in 2004. The Oak Ridge contracts have been extended through August 2005. We are currently working with Bechtel Jacobs to extend the contracts through June 2007, with several pricing modifications. As with most contracts with the federal government, these contracts may be terminated or renegotiated at any time at the government's election. As the DOE site in Oak Ridge 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 has and will pursue other similar or related contracts for environmental programs at other DOE and government sites. In February 2003, M&EC commenced legal proceedings against Bechtel Jacobs, the general contractor under the Oak Ridge contracts, seeking payment from Bechtel Jacobs of approximately \$4.3 million in surcharges relating to certain wastes that were treated by M&EC in 2001 and 2002 under the Oak Ridge contracts. During 2001, we recognized approximately \$381,000 in revenue for these surcharges, which represented an initial offer for settlement by Bechtel Jacobs. Bechtel Jacobs continues to deliver waste to M&EC for treatment, and M&EC continues to accept such waste. In addition, subsequent to the filing of the lawsuit, M&EC has entered into a new contract with Bechtel Jacobs to treat DOE waste. There is no guarantee of future business under the Oak Ridge contracts, and either party may terminate the Oak Ridge contracts at any time. Termination of these contracts could have a material adverse effect on 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 second quarter of 2004, the Nuclear segment was awarded a contract from a Fortune 500 company valued at approximately \$6,218,000 to treat and dispose of mixed waste generated from research and development activities. This contract requires innovative treatment processing technologies we developed to accommodate the complex nature of these wastes. The contract should be completed during the third quarter of 2005. We recognized \$837,000 and \$1,730,000 in revenues from this contract for the three and six months ended June 30, 2005 or 3.3% and 3.7% of total consolidated revenues. During 2004, we recognized \$3,195,000 in revenue from this contract.

During October 2004, the Nuclear segment was awarded a three-year contract valued at approximately \$23,000,000 for the treatment of mixed low-level wastes generated at the DOE's Hanford Site. Fluor Hanford, a prime contractor supporting DOE's cleanup mission at Hanford, has awarded this contract to us to provide specialized thermal treatment for a variety of mixed low-level radioactive wastes generated at Hanford. As with contracts or subcontracts with or involving the federal government, this contract may be terminated or renegotiated at anytime at the government's option. We recognized \$506,000 and \$1,420,000 in revenues from this contract for the quarter and six months ended June 30, 2005.

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. PFD is involved in legal proceedings with the EPA and others alleging, among other things, that PFD is required to have obtained a Title V air permit in order to carry out its operations, which PFD vigorously disagrees with and is contesting. If it is determined that PFD is required to have a Title V air permit, such could have a material adverse effect on our liquidity and we anticipate substantial additional capital expenditures at PFD would be required in order to bring PFD into compliance with Title V air permit requirements. As of the date of this report, we do not have any reliable estimates of the effect on our liquidity or the cost of such additional capital expenditures if there is an adverse ruling regarding the Title V air permit issue.

In December 2004, PFD received a complaint brought under the citizen's suit provisions of the Clean Air Act in the United States District Court for the Southern District of Ohio, Western district, styled Barbara Fisher v. Perma-Fix of Dayton, Inc. The suit alleges violation by PFD of a number of state and federal clean air statutes in connection with the operation of PFD's facility, primarily due to operating without a Title V air permit, and further alleges

that air emissions from PFD's facility endanger the health of the public and constitutes a nuisance in violation of Ohio law. The action seeks injunctive relief, imposition of civil penalties, attorney fees and costs and other forms of relief. We intend to vigorously defend ourselves in connection with this matter. See above discussion as to administrative proceedings instituted by the EPA.

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. We, compared to certain of our competitors, 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.

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We have budgeted for 2005, \$1,265,000 in environmental remediation expenditures to comply with federal, state and local regulations in connection with remediation of certain contaminates 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, a property adjacent to our PFFL facility, PFMD's facility in Baltimore, Maryland, PFP's leased property in Pittsburgh, Pennsylvania, and PFMI's facility in Detroit, Michigan. We expect to fund the expenses to remediate the sites from funds generated internally, however, no assurances can be made that we will be able to do so.

At June 30, 2005, we had total accrued environmental remediation liabilities of \$4,680,000, of which \$970,000 is recorded as a current liability, which reflects a decrease of \$295,000 from the December 31, 2004, balance of \$1,265,000. The decrease represents payments on remediation projects. The June 30, 2005, current and long-term accrued environmental balance is recorded as follows:

	Current Accrual	Long-term Accrual	Total
PFD	\$ 105,000	\$ 595,000	\$ 700,000
PFM	221,000	434,000	655,000
PFSG	190,000	501,000	691,000
PFTS	29,000	39,000	68,000
PFFL	25,000	--	25,000
PFMD	--	391,000	391,000
PFP	--	150,000	150,000
	570,000	2,110,000	2,680,000
PFMI	400,000	1,600,000	2,000,000
	\$ 970,000	\$ 3,710,000	\$ 4,680,000

RECENT ACCOUNTING PRONOUNCEMENTS

In May 2005, FASB issued Statement No. 154 ("SFAS 154"), Accounting Changes and Error Corrections. SFAS 154 replaces APB No. 20, Accounting Changes, and SFAS 3, Reporting Accounting Changes in Interim Financial Statements, and establishes retrospective application as the required method for reporting a change in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. SFAS 154 applies to all voluntary changes in accounting principles and to changes required by an accounting pronouncement in the instance that the pronouncement does not include specific transition provisions. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company does not anticipate that the adoption of SFAS 154 will have a material impact on its consolidated results of operations.

In March 2005, FASB issued FASB Interpretation No. 47 ("FIN 47"), Accounting for Conditional Asset Retirement Obligations -- An Interpretation of FASB Statement No. 143. FIN 47 clarifies that the term conditional asset retirement obligation, as used in SFAS 143, Accounting for Asset Retirement Obligations, refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and (or) method of settlement. Uncertainty about the timing and (or) method of settlement of a conditional asset retirement obligation should be factored into

the measurement of the liability when sufficient information exists. FIN 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. The Interpretation is effective for fiscal years ending after December 15, 2005. We do not expect the adoption of FIN 47 to have a material effect on our consolidated financial position or results of operations for the year ending December 31, 2005.

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In December 2004, FASB issued Statement No. 123 (revised) ("SFAS 123R"), Share-Based Payment. SFAS 123R is a revision of FASB Statement No. 123, Accounting for Stock-Based Compensation. This Statement supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees, and its related implementation guidance, and establishes standards for the accounting for transactions in which an entity exchanges its 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 a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost will be recognized over the period during which an employee is required to provide service in exchange for the award. This statement requires companies to recognize the fair value of stock options and other stock-based compensation to employees prospectively, beginning with awards granted, modified, repurchased or cancelled after the fiscal periods beginning after June 15, 2005. We currently measure stock-based compensation in accordance with APB Opinion No. 25. The impact on our financial condition or results of operations will depend on the number and terms of stock options outstanding on the date of change, as well as future options that may be granted. See Note 1 to Notes to Consolidated Financial Statements - Stock-Based Compensation for the pro forma impact that the fair value method would have had on our net income/loss for each of the three and six month periods ended June 30, 2005 and 2004. We do not expect the impact of SFAS 123R to have an impact on our cash flows or liquidity.

In April 2005, the Securities and Exchange Commission ("SEC") amended its Regulation S-X to amend the date of compliance with SFAS 123R to the first reporting period of the fiscal year beginning on or after June 15, 2005. We anticipate adopting SFAS 123R on January 1, 2006.

INTEREST RATE SWAP

We entered into an interest rate swap agreement effective December 22, 2000, to modify the interest characteristics of our outstanding debt from a floating basis to a fixed rate, thus reducing the impact of interest rate changes on future income. This agreement involves the receipt of floating rate amounts in exchange for fixed rate interest payments over the life of the agreement without an exchange of the underlying principal amount. The differential to be paid or received is accrued as interest rates change and recognized as an adjustment to interest expense related to the debt. The related amount payable to or receivable from counter parties is included in other assets or liabilities. At June 30, 2005, the market value of the interest rate swap was in an unfavorable value position of \$14,000 and was recorded as a liability. During the six months ended June 30, 2005, we recorded a gain on the interest rate swap of \$27,000 that is included in other comprehensive income in the Statement of Stockholders' Equity. The interest rate swap agreement is set to expire in December 2005.

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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. We entered into an interest rate swap agreement to modify the interest characteristics of \$3,500,000 of our \$7,000,000 term loan with PNC Bank, from a floating rate basis to a fixed rate, thus reducing the impact of interest rate changes on this portion of the debt.

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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 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 not effective, as a result of identifying three material weaknesses in our internal control over financial reporting, as reported in our Annual Report on Form 10-K for

the year ended December 31, 2004, (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 during the second quarter of 2005.

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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, 2004, or our Form 10-Q for the period ended March 31, 2005, except as stated below:

During February 2005, we received a federal grand jury subpoena requesting documents from the period of January 1, 2000, to the present concerning or relating to Wabash Environmental Technologies, LLC, ("Wabash"), an Indiana based entity that is not affiliated with us. We have been advised that the target of the grand jury investigation is Wabash and that neither we nor any subsidiary of ours is a target of the investigation. We and any subsidiary that had documents concerning or relating to Wabash have compiled responsive documents and complied with the subpoena.

We have previously reported that our subsidiary, PFD, has been performing an extensive internal review as to whether the treatment, storage, processing and disposal of certain waste streams by it were in accordance with applicable environmental laws and regulations. PFD retained outside counsel to assist it in this review. As a result of the review, PFD has notified the Ohio EPA of the following:

- . that PFD discovered an error in its 2003 Annual Hazardous Waste Report, which was submitted to the Ohio EPA. The error was in connection with the reporting of a shipment offsite of certain waste water inadvertently reported as H081 (biological treatment with or without precipitation) in the report. PFD believes a management method code of H129 (other treatment) would have been more appropriate for the entries of these shipments, with filtration as the process. This wastewater was shipped offsite for beneficial reuse. Additional quality control measures have been put in place to reduce the potential for this type of administrative error; and
- . from February, 2003 to November, 2003, PFD received 56 shipments (approximately 273,000 gallons) of hazardous wastewaters from a particular generator. PFD filtered this particular wastewater in its wastewater treatment unit and transmitted this filtered wastewater under a bill of lading to Wabash for beneficial reuse. As part of its internal investigation, it was determined that, while PFD's compliance personnel at the time believed it appropriate to classify this material as meeting the beneficial reuse requirements pursuant to the regulations promulgated under the Resource Conservation and Recovery Act, and shipped such under a straight bill of lading, they also recognized this at that time to be a vague and unclear area of the regulations. Due to the beneficial reuse regulations under RCRA being vague and unclear, PFD has notified Ohio EPA of these facts.

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Item 6. EXHIBITS

(a) EXHIBITS

- 4.1 Amendment No. 5 to Revolving Credit, Term Loan, and Security Agreement, dated as of June 29, 2005, between the Company and PNC Bank, as incorporated by reference from Exhibit 99.1 to the Company's Form 8-K dated June 29, 2005.
- 31.1 Certification by Dr. Louis F. Centofanti, Chief Executive Officer of the Company pursuant to Rule 13a-14(a) or 15d-14(a).
- 31.2 Certification by Richard T. Kelecy, Chief Financial Officer of the Company pursuant to Rule 13a-14(a) or 15d-14(a).
- 32.1 Certification by Dr. Louis F. Centofanti, Chief Executive Officer of the Company furnished pursuant to 18 U.S.C. Section 1350.

32.2 Certification by Richard T. Kelecy, 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: August 8, 2005

By: /s/ Dr. Louis F. Centofanti

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

Date: August 8, 2005

By: /s/ Richard T. Kelecy

Richard T. Kelecy
Chief Financial Officer

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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: August 8, 2005

/s/ Dr. Louis F. Centofanti

Louis F. Centofanti
Chairman of the Board
Chief Executive Officer

CERTIFICATIONS

I, Richard T. Kelecy, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Perma-Fix Environmental Services, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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: August 8, 2005

/s/ Richard T. Kelecy

Richard T. Kelecy
Chief Financial Officer

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 June 30, 2005 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: August 8, 2005

/s/ Dr. 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 June 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), I Richard T. Kelecy, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. 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: August 8, 2005

/s/ Richard T. Kelecy

Richard T. Kelecy
Chief Financial 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.