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
September 30, 1998

Commission File Number 0-16379

Clean Harbors, Inc.
(Exact name of registrant as specified in its charter)

Massachusetts	04-2997780
(State of Incorporation)	(IRS Employer Identification No.)
1501 Washington Street, Braintree, MA	02185-0327
(Address of Principal Executive Offices)	(Zip Code)

(781) 849-1800 ext. 4454
(Registrant's Telephone Number, Including Area Code)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, $.01 par value	10,420,874
(Class)	(Outstanding at November 2, 1998)

CLEAN HARBORS, INC. AND SUBSIDIARIES

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CLEAN HARBORS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
Unaudited
(in thousands except for earnings per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1998	1997	1998	1997
Revenues	$ 50,884	$ 50,137	$ 144,851	$ 137,874
Cost of revenues	37,693	37,650	108,012	104,023
Selling, general and administrative expenses	9,597	8,884	26,674	25,714
Depreciation and amortization	2,287	2,274	6,823	6,983
Income from operations	1,307	1,329	3,342	1,154
Other income, net	--	--	--	800
Interest expense, net	2,352	2,350	7,010	6,923
Loss before provision for income taxes	(1,045)	(1,021)	(3,668)	(4,969)
Provision for (benefit from) income taxes	90	(235)	270	(1,317)
Net loss	$ (1,135)	$ (786)	$ (3,938)	$ (3,652)
Basic and diluted loss per share	$ (.12)	$ (.09)	$ (.42)	$ (.40)
Weighted average common shares outstanding	10,354	10,009	10,271	9,913

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

CLEAN HARBORS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
Unaudited
(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1998	1997	1998	1997
Net loss	$(1,135)	$ (786)	$(3,938)	$(3,652)
Other comprehensive income, net of tax:				
Unrealized gains on securities:				
Unrealized holding gains arising during period	1	3	3	14
Reclassification adjustment for gains included in net loss	2	4	6	20
Comprehensive loss	$(1,132)	$ (779)	$(3,929)	$(3,618)

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

CLEAN HARBORS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in thousands)

	September 30, 1998 (Unaudited)	December 31, 1997
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,970	$ 3,935
Restricted investments	2,266	1,088
Accounts receivable, net of allowance for doubtful accounts	43,659	37,836
Prepaid expenses	1,857	1,518

Supplies inventories	3,019	2,811
Income tax receivable	1,236	1,669
Deferred tax asset	1,581	1,581
Total current assets	55,588	50,438
Property, plant and equipment:		
Land	8,182	8,182
Buildings and improvements	38,057	37,890
Vehicles and equipment	78,624	77,281
Furniture and fixtures	2,197	2,190
Construction in progress	4,680	2,756
	131,740	128,299
Less - Accumulated depreciation and amortization	71,917	66,392
Net property, plant and equipment	59,823	61,907
Other assets:		
Goodwill, net	20,212	20,755
Permits, net	11,013	11,695
Deferred taxes non-current	5,627	5,627
Other	4,549	4,523
Total other assets .	41,401	42,600
Total assets	$156,812	$154,945

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

CLEAN HARBORS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands)

	September 30, 1998 (Unaudited)	December 31, 1997
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term obligations	$ 4,034	$ 4,037
Accounts payable	16,853	13,760
Accrued disposal costs	7,061	7,100
Other accrued expenses	13,063	13,548
Income tax payable	90	10
Deferred tax liability	224	224
Total current liabilities	41,325	38,679
Long-term obligations, less current maturities	71,281	68,020
Deferred taxes, long-term	6,871	6,871
Other	1,142	1,351
Total other liabilities	79,294	76,242
Commitments and contingencies (Note 4)		
Stockholders' equity:		
Preferred Stock, $.01 par value:		
Series A Convertible; Authorized-2,000,000 shares; Issued and outstanding - none	--	--
Series B Convertible; Authorized-156,416 shares; Issued and outstanding 112,000 (liquidation preference of $5,600,000)	1	1
Common Stock, $.01 par value Authorized-20,000,000 shares;		

Issued and outstanding-10,356,212 and 10,101,490 shares, respectively	104	101
Additional paid-in capital	60,518	60,087
Accumulated other comprehensive loss	(3)	(12)
Accumulated deficit	(24,427)	(20,153)
Total stockholders' equity	36,193	40,024
Total liabilities and stockholders' equity	$ 156,812	$ 154,945

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

CLEAN HARBORS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited
(in thousands)

	NINE MONTHS ENDED September 30,	
	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(3,938)	$(3,652)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	6,823	6,983
Deferred income taxes	--	(1,399)
Allowance for doubtful accounts	519	495
Amortization of deferred financing costs	406	551
Loss on sale of fixed assets	--	139
Changes in assets and liabilities:		
Accounts receivable	(6,342)	(740)
Refundable income taxes	433	(148)
Prepaid expenses	(339)	(12)
Supplies inventories	(208)	3
Other assets	(26)	--
Accounts payable	2,545	(3,586)
Accrued disposal costs	(39)	(1,017)
Other accrued expenses	(485)	(1,482)
Income taxes payable	80	(162)
Other liabilities	(209)	331
Net cash used in operating activities	(780)	(3,696)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property, plant and equipment	(2,990)	(2,583)
Proceeds from sale and maturities of restricted investments	113	7,307
Purchase of restricted investments	(1,282)	--
Proceeds from sale of fixed assets	24	1,814
Net cash provided by (used in) investing activities	(4,135)	6,538

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

CLEAN HARBORS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
Unaudited

(in thousands)

	NINE MONTHS ENDED September 30, 1998	1997
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings (repayments) under long-term revolver	(2,253)	2,200
Payments on long-term obligations	5,120	(3,232)
Additions to deferred financing cost	(15)	(61)
Proceeds from stock issuance	98	132
Net cash provided by (used in) financing activities	2,950	(961)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,965)	1,881
Cash and cash equivalents, beginning of year	3,935	1,366
Cash and cash equivalents, end of period	$ 1,970	$ 3,247
Supplemental information:		
Non cash investing and financing activities:		
Stock dividend on preferred stock	$ 336	$ 336

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

CLEAN HARBORS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited
(in thousands)

	Series B Preferred Stock		Common Stock		
	Number of Shares	$0.01 Par Value	Number of Shares	$0.01 Par Value	Additional Paid-in Capital
Balance at December 31, 1997	112	$1	10,101	$101	$60,087
Comprehensive loss					
Net loss	--	--	--	--	--
Other comprehensive income, net of tax					
Unrealized gains on securities, net of reclassification adjustment (see disclosure)	--	--	--	--	--
Comprehensive loss	--	--	--	--	--
Preferred stock dividends:					
Series B	--	--	185	2	334
Employee stock purchase plan	--	--	67	1	91
Proceeds from exercise of stock options	--	--	3	--	6
Balance at September 30, 1998	112	$1	10,356	$104	$60,518
Disclosure of reclassification amount:					
Unrealized holding gains arising in the period ...					
Reclassification adjustment for gains included in net loss					
Net unrealized gains on securities					

	Comprehensive Income (Loss)	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
Balance at December 31, 1997	--	$(12)	$(20,153)	$ 40,024
Comprehensive loss				
Net loss	$(3,938)	--	(3,938)	(3,938)
Other comprehensive income, net of tax				
Unrealized gains on securities, net of reclassification adjustment (see disclosure)	9	9	--	9
Comprehensive loss	$(3,929)	--	--	--
Preferred stock dividends:				
Series B	--	--	(336)	--
Employee stock purchase plan	--	--	--	92
Proceeds from exercise of stock options	--	--	--	6
Balance at September 30, 1998	--	$ (3)	$(24,427)	$ 36,193
Disclosure of reclassification amount:				
Unrealized holding gains arising in the period ...	$3			
Reclassification adjustment for gains included in net loss	6			
Net unrealized gains on securities	$9			

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

CLEAN HARBORS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 Basis of Presentation

The consolidated interim financial statements included herein have been prepared by the Company, pursuant to the rules and regulations of the Securities and Exchange Commission, and include, in the opinion of management, all adjustments (consisting of only normal recurring accruals) necessary for the fair presentation of interim period results. The operating results for the three months and nine months ended September 30, 1998 are not necessarily indicative of those to be expected for the full fiscal year. Reference is made to the audited consolidated financial statements and notes thereto included in the Company's Report on Form 10-K for the year ended December 31, 1997 as filed with the Securities and Exchange Commission.

NOTE 2 Significant Accounting Policies

Earnings Per Share

In 1997 the Company implemented Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("SFAS 128"). Under SFAS 128, basic EPS is calculated by dividing income available to common shareholders by the weighted-average number of common shares outstanding during the period. Diluted EPS gives effect to all potential dilutive common shares that were outstanding during the period. The earnings per share for the Company under SFAS 128 were the same as under the prior accounting standard for the periods presented in the financial statements.

Comprehensive Income

In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income." This statement requires that changes in comprehensive income be shown in a financial statement that is displayed with the same prominence as other financial statements. The statement is effective for fiscal periods beginning after December 15, 1997, and the Company adopted its provisions for the quarter ended March 31, 1998. Reclassification of earlier periods is required for comparative purposes. Management determined that the statement had no material impact on its financial position or results of operations.

NOTE 3 Financing Arrangements

As amended, the Company has a $35,000,000 Loan Agreement with a financial institution. The Loan Agreement provided for a $24,500,000 revolving credit portion (the "Revolver") and a $10,500,000 term promissory note. The Revolver allows the Company to borrow cash and letters of credit based on a formula of eligible accounts receivable. At September 30, 1998, the Revolver balance was $10,679,000, letters of credit outstanding were $5,920,000 and funds available to borrow were approximately $5,300,000. In June 1998, the term of the Revolver was extended from May 8, 1999 to May 8, 2000 under substantially the same terms and conditions.

NOTE 4 Income Taxes

SFAS 109, "Accounting for Income Taxes," requires that a valuation allowance be established when, based on an evaluation of objective verifiable evidence, there is a likelihood that some portion or all of the deferred tax assets will not be realized. The Company continually reviews the adequacy of the valuation allowance for deferred tax assets, and, in 1997, based upon this review, the valuation allowance was increased to reduce the carrying value of deferred tax assets to the amount that is likely to be realized. Accordingly, no tax benefit has been recorded for the three and nine months ended September 30, 1998, while a tax benefit for the loss for the three and nine months ended September 30, 1997 was recorded. The actual realization of the net operating loss carryforwards and other tax assets depend on having future taxable income of the appropriate character prior to their expiration.

During the ordinary course of its business, the Company is audited by federal and state tax authorities which may result in proposed assessments. The Company has received a notice of intent to assess state income taxes from one of the states in which it operates. The case is currently undergoing administrative appeal. If the Company loses the administrative appeal, the Company may be required to make a payment of approximately $3,000,000 to the state. The Company believes that it has properly reported its state income and is contesting the assessment vigorously. While the Company believes that the final outcome of the dispute will not have a material adverse effect on the Company's financial condition or results of operations, no assurance can be given as to the final outcome of the dispute, the amount of any final adjustments or the potential impact of such adjustments on the Company's financial condition or results of operations.

NOTE 5 Loss Per Share

The following is a reconciliation of basic and diluted loss per share computations (in thousands except for per share amounts):

	Three Months Ended September 30, 1998		
	Income (Numerator)	Shares (Denominator)	Per-Share Loss
Net loss	$(1,135)		
Less preferred dividend	112		
Basic and diluted EPS .... (loss available to shareholders)	$(1,247)	10,354	$ (.12)

	Three Months Ended September 30, 1997		
	Income (Numerator)	Shares (Denominator)	Per-Share Loss
Net loss	$(786)		
Less preferred dividends	112		
Basic and diluted EPS (loss available to shareholders)	$(898)	10,009	$ (.09)

NOTE 5 Loss Per Share (continued)

	Nine Months Ended September 30, 1998		
	Income	Shares	Per-Share

	(Numerator)	(Denominator)	Loss
Net loss	$(3,938)		
Less preferred dividends	336		
Basic and diluted EPS (loss available to shareholders)	$(4,274)	10,271	$ (.42)

	Nine Months Ended September 30, 1997		
	Income (Numerator)	Shares (Denominator)	Per-Share Loss
Net loss	$(3,652)		
Less preferred dividends	336		
Basic and diluted EPS (loss available to shareholders)	$(3,988)	9,913	$ (.40)

The Company has issued options, warrants and convertible preferred stock which are potentially dilutive to earnings. For the periods presented, the options, warrants and convertible stock outstanding have not been included in the preceding calculations, since their inclusion would have been antidilutive for the periods presented.

NOTE 6 Other Income

During the first quarter of 1997, the Company recorded a $950,000 receivable in connection with the settlement of a lawsuit and incurred approximately $150,000 in costs related to the litigation during the first quarter. The Company recognized a pre-tax gain, net of related legal fees, of $800,000 resulting from the settlement, which is included in other income, net, in the consolidated statements of operations. The $950,000 was received April, 1997.

CLEAN HARBORS, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The following table sets forth for the periods indicated certain operating data associated with the Company's results of operations.

	Percentage Of Total Revenues			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	1998	1997	1998	1997
Revenues	100.0%	100.0%	100.0%	100.0%
Cost of revenues:				
Disposal costs paid to third parties	15.0	13.6	14.2	13.3
Other costs	59.0	61.5	60.4	62.1
Total cost of revenues	74.0	75.1	74.6	75.4
Selling, general and administrative expenses	18.9	17.7	18.4	18.7
Depreciation and amortization of intangible assets	4.5	4.5	4.7	5.1
Income from operations	2.6%	2.7%	2.3%	0.8%
Other Data:				
Earnings before interest, taxes, depreciation and amortization (EBITDA) (in thousands)	$ 3,594	$ 3,603	$ 10,165	$ 8,937

REVENUES

Revenues for the quarter ended September 30, 1998 were $50,884,000 compared to revenues of $50,137,000 for the quarter ended September 30, 1997, an increase of $747,000 or 1.5%. Revenues increased by 7.0% due to higher volumes of waste processed and field service hours worked in the quarter ended September 30, 1998 as compared to the same quarter of the prior year and pricing was flat in the current quarter as compared to the same period of the prior year. These increases were partially offset by lower revenues on remediation projects performed in the current quarter as compared to the same quarter of the prior year.

CLEAN HARBORS, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

REVENUES (continued)

Revenues for the nine months ended September 30, 1998 were $144,851,000 compared to revenues of $137,874,000 for the nine months ended September 30, 1997, an increase of $6,977,000 or 5.1%. Revenues increased by 9.6% due to higher volumes of waste processed and field service hours worked in the nine months ended September 30, 1998 as compared to the same period of the prior year. These increases in revenues were partially offset by a 1.9% decrease in revenues due to pricing and a decrease in revenues due to remediation projects performed.

Revenues for the nine months ended September 30, 1998 compared to the same period of the prior year continued to be adversely impacted by declining sales prices due to industry-wide pricing pressures. However, there has been a recent improvement in pricing. Management can not predict if this recent improvement in pricing will continue.

There were no major spills or other events that significantly impacted revenues for the periods presented.

There are many factors which have impacted, and continue to impact, the Company's revenues. These factors include: competitive industry pricing; continued efforts by generators of hazardous waste to reduce the amount of hazardous waste they produce; significant consolidation among treatment and disposal companies; industry-wide over capacity of waste treatment facilities; and direct shipment by generators of waste to the ultimate treatment or disposal location.

COST OF REVENUES

Cost of revenues were $37,693,000 for the quarter ended September 30, 1998 compared to $37,650,000 for the quarter ended September 30, 1997, an increase of $43,000. One of the largest components of cost of revenues is the cost of sending waste to other companies for disposal. As a percentage of revenues, disposal costs paid to third parties increased from 13.6% for the quarter ended September 30, 1997 to 15.0% for the quarter ended September 30, 1998. This increase in outside disposal expense is due to a 13.8% increase in the volume of wastes handled by the Company which were partly offset by reductions in the waste sent directly to outside disposal vendors from customers' sites.

COST OF REVENUES (continued)

Cost of revenues were $108,102,000 for the nine months ended September 30, 1998 compared to $104,023,000 for the nine months ended September 30, 1997, an increase of $4,079,000. As a percentage of revenues, disposal costs paid to third parties increased from 13.3% for the nine months ended September 30, 1997 to 14.2% for the nine months ended September 30, 1998. This increase in outside disposal expense is similarly due to a 21.1% increase in the volume of wastes handled by the Company and an increase in wastes sent directly to outside disposal vendors from customers' sites, which were partly offset by reductions achieved in the internalization of waste.

Other costs decreased to 59.0% of revenues for the quarter ended September 30 1998, as compared to 61.5% of revenues for the same period of the prior year, and they decreased to 60.4% of revenues for the nine months ended September 30, 1998, as compared to 62.1% of revenues for the same period of the prior year. These decreases were achieved even while the volume of waste processed through the Company's plants increased due to improvements in efficiencies in the plants and cost reductions.

The Company believes that its ability to manage operating costs is an important factor in its ability to remain price competitive. During the first nine months of 1998, the Company continued its process of consolidating common functions to reduce redundant costs and improve the Company's ability to deliver its services. No assurance can be given that the Company's efforts to manage future operating expenses will be successful.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses increased 8.0% to $9,597,000 for the three months ended September 30, 1998 as compared to $8,884,000 for the same period of 1997. The largest components of the increase are due to increases in headcount due to higher volumes of waste processed, increases in headcount in sales and marketing due to strategic business development initiatives, and increases in compensation to remain competitive in the employment markets in which the Company operates. In addition, the Company experienced increases in other sales and marketing expenses.

Selling, general and administrative expenses increased 3.7% to $26,674,000 for the nine months ended September 30, 1998 as compared to $25,714,000 for the same period of 1997. The largest components of the increase are due to increases in headcount due to higher volumes of waste processed, increases in headcount in sales and marketing due to strategic business development initiatives, and increases in compensation to remain competitive in the employment markets in which the Company operates. In addition, the Company incurred costs to terminate leases and experienced increases in other sales and marketing expenses. These increases were partially offset by various cost reductions achieved.

INTEREST EXPENSE, NET

Interest expense, net of $2,352,000 for the quarter ended September 30, 1998 was flat as compared to $2,350,000 for same quarter of the prior year. Interest expense, net was $7,010,000 for the first nine months of 1998 as compared to $6,923,000 for the same period of the prior year. The increase in interest expense, net for the first nine months of 1998 when compared to the same period of 1997 is primarily due to a decrease in interest income associated with a reduction in the average balance of restricted cash.

INCOME TAXES

For the quarter ended September 30, 1998, income tax expense of $90,000 was recorded on a pre-tax loss of $1,045,000 for an effective tax rate of (8.6)%, as compared to an income tax benefit of $235,000 that was recorded on a pre-tax loss of $(1,021,000) for an effective tax rate of 23.0%.

For the nine months ended September 30, 1998, income tax expense of $270,000 was recorded on a pre-tax loss of $3,668,000 for an effective tax rate of (7.4)%, as compared to a tax benefit of $1,317,000 that was recorded on a pre-tax loss of $4,969,000 for an effective tax rate of 26.5%. SFAS 109, "Accounting for Income Taxes," requires that a valuation allowance be established when, based on an evaluation of objective verifiable evidence, there is a likelihood that some portion or all of the deferred tax assets will not be realized. The Company continually reviews the adequacy of its valuation allowance for deferred tax assets, and, in the fourth quarter of 1997, based on this review, the valuation allowance was increased to cover almost all of the net deferred tax assets. Accordingly, the Company recorded no benefit on its books for the future potential value of net operating loss carryforwards generated during the three and nine months ended September 30, 1998, while these tax benefits were recorded for the net operating loss carryforwards generated during the same periods of the prior year.

The actual realization of the net operating loss carryforwards and other tax assets depend on having future taxable income of the appropriate character prior to their expiration under the tax laws. If the Company reports taxable earnings in the future, and depending on the level of these earnings, some portion or all of the valuation allowance would be reversed, which would increase net income reported in future periods.

INCOME TAXES (continued)

During the ordinary course of its business, the Company is audited by federal and state tax authorities which may result in proposed assessments. The Company has received a notice of intent to assess state income taxes from one of the states in which it operates. The case is currently undergoing administrative review. If the assessment is upheld, the Company may be required to make a payment of approximately $3,000,000 to the state. The Company believes that it has properly reported its state income and is contesting the assessment vigorously. While the Company believes that the final outcome of the dispute will not have a material adverse effect on the Company's financial condition or results of operations, no assurance can be given as to the final outcome of the dispute, the amount of any final adjustments or the potential impact of such adjustments on the Company's financial condition or results of operations.

FACTORS THAT MAY AFFECT FUTURE RESULTS

From time to time, the Company and employees acting on behalf of the Company make forward-looking statements concerning the expected revenues, results of operations, capital expenditures, capital structure, plans and objectives of management for future operations, and future economic performance. This report contains forward-looking statements. There are many factors which could cause actual results to differ materially from those projected in a forward-looking statement, and there can be no assurance that such expectations will be realized.

The Company's future operating results may be affected by a number of factors, including the Company's ability to: continue to implement the treatment and disposal reengineering program; utilize its facilities and workforce profitably in the face of intense price competition; increase market share in an industry which appears to be downsizing and consolidating; realize benefits from cost reduction programs; generate incremental volumes of waste to be handled through its facilities from existing sales offices and service centers; obtain sufficient volumes of waste at prices which produce revenue sufficient to offset the operating costs of the facilities; minimize downtime and disruptions of operations; and compete successfully against other incinerators which have an established share of the incineration market.

CLEAN HARBORS, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FACTORS THAT MAY AFFECT FUTURE RESULTS (continued)

The Company's operations may be affected by the commencement and completion of major site remediation projects; cleanup of major spills or other events; seasonal fluctuations due to weather and budgetary cycles influencing the timing of customers' spending for remedial activities; the timing of regulatory decisions relating to hazardous waste management projects; changes in regulations governing the management of hazardous waste; secular changes in the waste processing industry towards waste minimization and the propensity for delays in the remedial market; suspension of governmental permits; and fines and penalties for noncompliance with the myriad of regulations governing the Company's diverse operations. As a result of these factors, the Company's revenue and income could vary significantly from quarter to quarter, and past financial performance should not be considered a reliable indicator of future performance.

Typically during the first quarter of each calendar year there is less demand for environmental remediation due to the cold weather, particularly in the Northeast and Midwest regions, and increased possibility of unplanned weather related plant shutdowns.

FINANCIAL CONDITION AND LIQUIDITY

For the nine months ended September 30, 1998, the Company's operations consumed $780,000 of cash primarily to finance higher levels of accounts receivable of $6,342,000 due to increased sales and to cover the net loss of $3,938,000 for the period, which were partially offset by non-cash depreciation and amoritization expenses of $6,823,000 and cash provided by an increase in accounts payable of $2,545,000. The Company obtained $2,950,000 from financing activities, which consisted primarily of additional net borrowings, and the Company used $1,965,000 of cash on hand primarily to cover the cash used in operations of $780,000, to fund the additions to property, plant and equipment of $2,990,000 and to make payments into a debt service reserve fund of $1,075,000.

Federal and state regulations require liability insurance coverage for all facilities that treat, store, or dispose of hazardous waste, and financial assurance that funds will be available for closure of these facilities, should a facility cease operation, and post closure coverage where required by law. In 1989, the Company established a wholly-owned captive insurance company pursuant to the Federal Risk Retention Act of 1986. This company qualifies as a licensed insurance company and is authorized to write closure, professional liability, and pollution liability insurance for the Company and its operating subsidiaries. Investments are held by the captive insurance company as assets against its insured liabilities and restricted for future payment of insurance claims. In the nine months of 1997, the Company replaced a portion of the closure insurance issued by its captive insurance company with bonds issued by a bonding company. This allowed the captive insurance company to remit funds previously classified as

FINANCIAL CONDITION AND LIQUIDITY (continued)

restricted cash to the Company. In addition, on December 31, 1996, the Company had on deposit collateral of $5,650,000 with a commercial insurance company to provide for closure and post-closure of its incinerator and landfill. During 1996, the Company renegotiated its agreement with the insurance company to replace collateral with a letter of credit. The cash from this transaction was released to the Company in 1997. As a result of these two transactions, the Company obtained $7,307,000 in the nine months ending September 30, 1997. The Company used these funds, as well as proceeds from the sale of fixed assets of $1,814,000, primarily to reduce debt by $1,032,000, to purchase equipment and improve properties in the amount of $2,583,000 and to cover cash consumed in operations of $3,696,000.

The Company expects 1998 capital additions to be in the range of $4,300,000.

The Company's $35,000,000 Loan Agreement with a financial institution provides for certain covenants the most restrictive of which require the maintenance of a minimum level of working capital of $6,000,000 and adjusted net worth of not less than $33,000,000. At September 30, 1998, working capital was $14,263,000 and adjusted net worth was $38,193,000. In addition, the Indenture under which the Company has outstanding $10,000,000 of industrial revenue bonds (the "Bonds") contain certain covenants the most restrictive of which require that the Company maintain a rolling four quarter ratio of earnings before interest, income taxes, depreciation and amortization (EBITDA) to total debt service of 1.25 to 1. On December 31, 1997 and September 30, 1998 the Company was in violation of this covenant. On September 30, 1998, the debt service coverage ratio was 1.16 to 1. Under the terms of the Indenture, the deficiency in the debt coverage ratio will not result in a default, but the Company was required to pay in six equal monthly installments into a debt service reserve fund held by the Trustee for the Bonds a total amount equal to one year's interest on the Bonds. Through September 30, 1998, the Company had paid $1,075,000 into this fund, as required.

FINANCIAL CONDITION AND LIQUIDITY (continued)

On September 30, 1998, funds available to borrow under the Revolver were $5,300,000. Management believes that sufficient resources will be available to meet the Company's cash requirements for the foreseeable future. The Company has $50,000,000 of Senior Notes which mature in 2001. Some portion or all of the borrowings under the Senior Notes will need to be refinanced by the maturity date. The ability of the Company to refinance the Senior Notes at reasonable interest rates is dependent upon improving results from operations and is contingent on a favorable interest rate environment when the Company attempts to refinance the borrowings.

Dividends on the Company's Series B Convertible Preferred Stock are payable on the 15th day of January, April, July and October, at the rate of

$1.00 per share, per quarter; 112,000 shares are outstanding. Under the terms of the preferred stock, the Company can elect to pay dividends in cash or in common stock with a market value equal to the amount of the dividend payable. The Company elected to pay the January 15, April 15, and July 15, 1998 dividends in common stock. Accordingly, the Company issued 56,000 and 184,644 shares of common stock to the holders of the preferred stock in the three month and nine month periods ended September 30, 1998, respectively. The Company anticipates that the preferred stock dividends payable through 1998 will be paid in common stock.

YEAR 2000

As has been widely discussed in the media, companies around the world are working on resolving the anticipated problems relating to the year 2000. The problem stems from the fact that much of the computer software, computer hardware and control devices produced in prior years provide only two digits with which to record the year. This may result in these products not functioning or producing unexpected results when the year 2000 is recorded as "00", and the program or device is unable to differentiate whether the "00" represents the year 1900 or 2000. Throughout 1998, the Company has been working on identifying and correcting the year 2000 problems. Although the work is on-going, the Company has identified potential year 2000 issues related to its management information systems, control devices used at its plants, and readiness of vendors and customers for the year 2000.

YEAR 2000 (continued)

Starting in 1996, the Company began a major upgrade of its management information systems in order to improve the availability of management information with the ultimate aim being better control over costs and better availability of management information, which management believes will yield improved operating results. As a by-product of this upgrade, the Company believes that all of its major management information systems are currently year 2000 compliant, with the exception of the accounts receivable and human resource systems. The Company has installed an accounts receivable module as part of its new financial software package. The Company is in the process of running the accounts receivable system parallel to the existing system and anticipates that the new accounts receivable system will be fully functional by the end of the first quarter of 1999. The Company has identified a human resource system at a cost of approximately $100,000 that it expects to be able to install in 1999. At this time, the management of the Company believes that all major systems will be year 2000 compliant prior to the end of 1999. Also, the Company has compiled a list of non-core computer software and hardware that is not year 2000 compliant. Although the cost of modifying or replacing the non-core software and hardware that is not year 2000 compliant has not been determined, a review of the list indicates that the cost will not be material to the results of operations of the Company.

In addition to computer software and hardware, the Company utilizes a variety of control devices in its plants, most of which are not date or time sensitive. Based on an inventory of the control devices, the cost of replacing the control devices that are not year 2000 compliant is expected to be approximately $100,000. The Company plans to replace these control devices during regularly scheduled plant shutdowns in the first quarter of 1999.

The Company relies on a large number of primary vendors to supply required products and services. Since the unavailability of key goods and services could potentially disrupt the Company's operations, letters have been sent to all primary and secondary vendors to determine their readiness for the year 2000. To date 80% of vendors have responded to the Company's inquiry and all critical vendors are being individually contacted. The effort to qualify all primary vendors and certain potentially key secondary vendors as to their readiness for the year 2000 problem is on-going.

The Company relies on its customers to pay for services performed within a commercially reasonable period of time. If the computer systems of customers are not year 2000 compliant, there is a possibility that the collection of bills, thus cash flow, could be adversely impacted in the first quarter of 2000. In the first half of 1999, the Company plans on developing policies and procedures to limit the extension of credit to those customers who cannot represent to the Company that their systems are year 2000 compliant, so that there is an assurance that customers who owe money at December 31, 1999 will be able to pay their bills in 2000.

YEAR 2000 (continued)

As discussed above, the Company is trying to insure that all mission critical software, hardware and control devices are year 2000 compliant and that there will be no disruption of service to its client base. In addition, the Company is trying to insure that primary suppliers, key secondary suppliers and significant customers are ready for the year 2000. However, due to the pervasive use of computers and control devices throughout all businesses, there is a risk that certain key non-compliant year 2000 devices will be overlooked, which could adversely affect revenues or cash flow early in the year 2000.

The Company has made significant progress on resolving problems related to the year 2000. The Securities and Exchange Commission in Release 33-7558, DISCLOSURE OF YEAR-2000 ISSUES AND CONSEQUENCES BY PUBLIC COMPANIES, INVESTMENT ADVISERS, INVESTMENT COMPANIES, AND MUNICIPAL SECURITIES ISSUERS, dated August 4, 1998 requires that all companies disclose their most reasonably likely worst case scenario assuming that they are unable to make any further future progress on resolving known problems related to the year 2000. Although the Company intends to work diligently to resolve known year 2000 problems, the Company believes that the most reasonably likely worst case scenarios of not being able to make any further progress on its known year 2000 problems would be a decrease in revenue due to disruptions in plant operations, a decrease in cash flow due to inefficient collection of monies owed the Company because of the accounts receivable system, a disruption in cash flow due to our customers not being able to pay their bills due to their systems being non-compliant and a decrease in revenues due to the inability of the Company to obtain required goods and services because of the vendor's systems being non-compliant. The Company will continue to monitor the situation and will continue to develop contingency plans as required.

NEW ACCOUNTING PRONOUNCEMENT

In March 1998, the American Institute of Certified Public Accountants issued Statement of Position (SOP) 98-1, "Internal Use Software," which provides guidance on the accounting for the costs of software developed or obtained for internal use. SOP 98-1 is effective for fiscal years beginning after December 15, 1998. Management does not expect the statement to have a material impact on its financial position or results of operations.

PART II - OTHER INFORMATION

Item 1 - Legal Proceedings

As disclosed in the Form 10-K for the year ended December 31, 1997, the Company joined an ongoing lawsuit against the City of Chicago challenging the imposition of a waste charge by the City of Chicago on every gallon of waste received at the Company's Chicago facility. Since 1990, the Company has paid approximately $3,000,000 to the City pursuant to this charge.

The lawsuit challenges the legal authority of the City of Chicago to impose the charge. The Company contends the charge is, among other things, an unlawful tax on service occupations in violation of the Illinois Constitution. The Company was seeking: (1) a declaration by the Circuit Court of Cook County that the challenged charge is unconstitutional or otherwise unlawful; (2) an injunction against the City's continued assessment and collection of the charge; and (3) a refund of all charges paid plus interest.

On July 21, 1998 the Judge in the case issued a Final Order declaring the City of Chicago waste fee to be unconstitutional under Illinois law. On August 7, 1998 the City filed a motion with the Court to reconsider its Final Order. On September 11, 1998 the Court denied the City's motion for reconsideration of its July 21st Final Order.

On October 27, 1998 the Judge granted the Company's motion to dismiss the City's affirmative defenses of waiver and estoppel with prejudice. The defenses of laches and statute of limitations were dismissed without prejudice. The City's affirmative defense of voluntary payment was allowed to stand. The Company has until November 20, 1998 to file its response.

The Company cannot predict the outcome of these proceedings, accordingly, no account receivable has been recorded on the books of the Company relating to this lawsuit.

Item 2 - Changes in Securities

None

Item 3 - Defaults Upon Senior Debt

None

Item 4 - Submission of Matters to a Vote of Security Holders

None

PART II - OTHER INFORMATION

Item 5 - Other Information

None

Item 6 - Exhibits and Reports on Form 8-K

A) Exhibit 27 - Financial Data Schedule.

B) Reports on Form 8-K
None

CLEAN HARBORS, INC. AND SUBSIDIARIES

SIGNATURES

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

Clean Harbors, Inc.

Registrant

Dated: August 12, 1998

By: /s/ Alan S. McKim

Alan S. McKim
President and
Chief Executive Officer

Dated: August 12, 1998

By: /s/ Roger A. Koenecke

Roger A. Koenecke
Senior Vice President and
Chief Financial Officer

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