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 quarter ended November 28, 1998 — Commission File Number 1-8504

UNIFIRST CORPORATION
(Exact name of registrant as specified in its charter)

Massachusetts (State of Incorporation) — 04-2103460 (IRS Employer ID Number)

68 Jonspin Road
Wilmington, Massachusetts 01887
(Address of principal executive offices)

Registrant's telephone number: (978) 658-8888

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 [ ]

The number of outstanding shares of the registrant's Common Stock and Class B Common Stock as of January 6, 1999 were 10,456,634 and 10,288,744 respectively.

PART 1 - FINANCIAL INFORMATION

FORM 10-Q
UNIFIRST CORPORATION AND SUBSIDIARIES
CONDENSED BALANCE SHEETS
(unaudited)

	November 28, 1998	August 29, 1998*	November 29, 1997
Assets			
Current assets:			
Cash	$ 7,385,000	$ 5,330,000	$ 4,189,000
Receivables	45,634,000	42,127,000	45,146,000
Inventories	23,804,000	24,152,000	19,464,000
Rental merchandise in service	47,361,000	42,971,000	40,673,000
Prepaid expenses	202,000	188,000	146,000
Total current assets	124,386,000	114,768,000	109,618,000
Property and equipment:			
Land, buildings and leasehold improvements	154,667,000	150,853,000	141,715,000
Machinery and equipment	168,316,000	165,762,000	148,947,000
Motor vehicles	41,887,000	41,608,000	38,149,000
	364,870,000	358,223,000	328,811,000
Less - accumulated depreciation	152,118,000	147,261,000	133,287,000
	212,752,000	210,962,000	195,524,000
Other assets	56,220,000	50,400,000	48,639,000
	$ 393,358,000	$ 376,130,000	$ 353,781,000

Liabilities and Shareholders' Equity
Current liabilities:

Current maturities of long-term obligations	$ 1,140,000	$ 1,194,000	$ 1,045,000
Notes payable	2,509,000	2,511,000	2,820,000
Accounts payable	17,918,000	14,109,000	11,995,000
Accrued liabilities	47,964,000	45,101,000	47,231,000
Accrued and deferred income taxes	4,961,000	2,540,000	6,441,000
Total current liabilities	74,492,000	65,455,000	69,532,000
Long-term obligations, net of current maturities	44,602,000	45,955,000	41,659,000
Deferred income taxes	18,743,000	18,346,000	17,440,000
Shareholders' equity:			
Preferred stock, $1.00 par value; 2,000,000 shares authorized; none issued	--	--	--
Common stock, $.10 par value; 30,000,000 shares authorized; issued and outstanding 10,216,864 shares	1,022,000	1,022,000	790,000
Class B Common stock, $.10 par value; 20,000,000 shares authorized; issued and outstanding 10,293,744 shares	1,029,000	1,029,000	1,261,000
Capital surplus	7,078,000	7,078,000	7,078,000
Retained earnings	248,807,000	239,952,000	217,235,000
Cumulative translation adjustment	(2,415,000)	(2,707,000)	(1,214,000)
Total shareholders' equity	255,521,000	246,374,000	225,150,000
	$ 393,358,000	$ 376,130,000	$ 353,781,000

* Condensed from audited financial statements
The accompanying notes are an integral part of these condensed financial statements.

FORM 10-Q
UNIFIRST CORPORATION AND SUBSIDIARIES
CONDENSED STATEMENTS OF INCOME
(unaudited)

	Thirteen weeks ended November 28, 1998	Thirteen weeks ended November 29, 1997
Revenues	$ 116,335,000	$ 112,402,000
Costs and expenses:		
Operating costs	66,488,000	66,325,000
Selling and administrative expenses	26,989,000	25,397,000
Depreciation and amortization	7,258,000	6,308,000
	100,735,000	98,030,000
Income from operations	15,600,000	14,372,000
Interest expense (income):		
Interest expense	712,000	651,000
Interest income	(58,000)	(70,000)
	654,000	581,000
Income before income taxes	14,946,000	13,791,000
Provision for income taxes	5,530,000	4,965,000
Net income	$ 9,416,000	$ 8,826,000
Weighted average number of shares outstanding	20,510,608	20,510,608

Net income per share - basic & diluted	$ 0.46	$ 0.43

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

FORM 10-Q
UNIFIRST CORPORATION AND SUBSIDIARIES
CONDENSED STATEMENTS OF CASH FLOWS
(unaudited)

	Thirteen weeks ended November 28, 1998	Thirteen weeks ended November 29, 1997
Cash flows from operating activities:		
Net Income	$ 9,416,000	$ 8,826,000
Adjustments:		
Depreciation	6,055,000	5,246,000
Amortization of other assets	1,203,000	1,062,000
Receivables	(3,366,000)	(5,785,000)
Inventories	331,000	26,000
Rental merchandise in service	(3,884,000)	(720,000)
Prepaid expenses	(14,000)	2,000
Accounts payable	3,923,000	(1,096,000)
Accrued liabilities	2,857,000	1,624,000
Accrued and deferred income taxes	2,402,000	3,909,000
Deferred income taxes	387,000	348,000
Net cash provided by operating activities	19,310,000	13,442,000
Cash flows from investing activities:		
Acquisition of businesses, net of cash acquired	(3,654,000)	-
Capital expenditures	(7,400,000)	(12,765,000)
Other assets, net	(4,231,000)	(1,497,000)
Net cash used in investing activities	(15,285,000)	(14,262,000)
Cash flows from financing activities:		
Increase in debt	40,000	2,124,000
Reduction of debt	(1,449,000)	(629,000)
Cash dividends paid or payable	(561,000)	(540,000)
Net cash provided by (used in) financing activities	(1,970,000)	955,000
Net increase in cash	2,055,000	135,000
Cash at beginning of period	5,330,000	4,054,000
Cash at end of period	$ 7,385,000	$ 4,189,000
Supplemental disclosure of cash flow information:		
Interest paid	$ 694,000	$ 643,000
Income taxes paid	2,712,000	746,000

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

FORM 10-Q

UNIFIRST CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED FINANCIAL STATEMENTS

FOR THE THIRTEEN WEEKS ENDED NOVEMBER 28, 1998

1. These condensed financial statements have been prepared by the Company without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote 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; however, the Company believes that the information furnished reflects all adjustments which are, in the opinion of management, necessary for a fair statement of results for the interim period. It is suggested that these condensed financial statements should be read in conjunction with the financial statements and the notes, thereto, included in the Company's latest annual report on Form 10-K.

2. From time to time, the Company is subject to legal proceedings and claims arising from the conduct of its business operations, including legal proceedings and claims relating to personal injury, customer contract, employment and environmental matters. In the opinion of management, such proceedings and claims are not likely to result in losses which would have a material adverse effect upon the financial position or results of operations of the Company.

FORM 10-Q
UNIFIRST CORPORATION AND SUBSIDIARIES

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

FOR THE THIRTEEN WEEKS ENDED NOVEMBER 28, 1998

RESULTS OF OPERATIONS

THIRTEEN WEEKS OF FISCAL 1999 COMPARED WITH THIRTEEN WEEKS OF FISCAL 1998

Revenues. Fiscal 1999 first quarter revenues increased $3.9 million or 3.5% to $116.3 million as compared with $112.4 million for the fiscal 1998 first quarter. This increase can be attributed to growth from existing operations (1.6%), acquisitions (0.9%) and price increases (1.0%). Growth from existing operations was from the conventional uniform rental business (2.3%), offset by lower revenue from the nuclear garment services business (-0.7%). The increase in revenues from acquisitions resulted from two acquisitions made in fiscal 1998 (one in California in March 1998, and one in Alabama in June 1998) and two acquisitions made in fiscal 1999 (one in Wisconsin and one in Mississippi, both in October 1998).

Operating Costs. Operating costs increased slightly, to $66.5 million for the first quarter of fiscal 1999 as compared with $66.3 million for the same period of fiscal 1998, but declined to 57.2% from 59.0% as a percentage of revenues for these periods. In July 1998, the Company changed the estimated service lives and related amortization periods for rental merchandise in service, from primarily 12 months to primarily 15 months. This was the primary reason for the improvement in operating costs as a percentage of revenues.

Selling and Administrative Expenses. The Company's selling and administrative expenses increased to $27.0 million, or 23.2% of revenues, for the first quarter of fiscal 1999 as compared with $25.4 million, or 22.6% of revenues, for the same period in fiscal 1998. This increase was due primarily to increased costs for employee health insurance.

Depreciation and Amortization. The Company's depreciation and amortization expense increased to $7.3 million, or 6.2% of revenues, for the first quarter of fiscal 1999 as compared with $6.3 million, or 5.6% of revenues, for the same period in fiscal 1998. This increase was due primarily to increased capital expenditures for the Company's new distribution center in Owensboro, KY and information systems hardware and software to upgrade certain Company-wide systems.

Net Interest Expense. Net interest expense was $654,000, or 0.6% of revenues, for the first quarter of fiscal 1999 as compared with $581,000, or 0.5% of revenues, for the same period in fiscal 1998. The increase is primarily attributable to higher debt levels in the fiscal 1999 quarter.

Income Taxes. The Company's effective income tax rate was 37.0% for the first quarter of fiscal 1999 and 36.0% for the same period in fiscal 1998. The increase is due primarily to reduced benefits from a corporate-owned life insurance program.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS
OF OPERATIONS AND FINANCIAL CONDITION
(continued)

FOR THE THIRTEEN WEEKS ENDED NOVEMBER 28, 1998

LIQUIDITY AND CAPITAL RESOURCES

Shareholders' equity at November 28, 1998 was $255.5 million, or 84.8% of total capitalization.

During the thirteen weeks ended November 28, 1998 net cash provided by operating activities of $19.3 million was primarily used for capital expenditures ($7.4 million), acquisition of two businesses ($3.7 million), debt repayment ($1.4 million) and dividends ($0.6 million).

The Company had $7.4 million in cash and $20.9 million available on its $60 million unsecured line of credit with two banks as of November 28, 1998. This line of credit was increased to $120 million, with three banks, effective November 30, 1998. The Company believes its generated cash from operations and the Company's borrowing capacity will adequately cover its foreseeable capital requirements.

SEASONALITY

Historically, the Company's revenues and operating results have varied from quarter to quarter and are expected to continue to fluctuate in the future. These fluctuations have been due to a number of factors, including: general economic conditions in the Company's markets; the timing of acquisitions and of commencing start-up operations and related costs; the effectiveness of integrating acquired businesses and start-up operations; the timing of nuclear plant outages; capital expenditures; seasonal rental and purchasing patterns of the Company's customers; and price changes in response to competitive factors. In addition, the Company's operating results historically have been lower during the second and fourth fiscal quarters than during the other quarters of the fiscal year. The operating results for any historical quarter are not necessarily indicative of the results to be expected for an entire fiscal year or any other interim periods.

INFORMATION SYSTEMS; YEAR 2000

The Company has made a substantial investment in its information systems and intends to spend significant amounts on its information systems in the future. The Company has been evaluating Year 2000 (Y2K) issues concerning the ability of its systems to properly recognize date sensitive information when the year changes to 2000. Systems that do not properly recognize such information could generate erroneous data or cause complete system failures.

INFORMATION SYSTEMS; YEAR 2000 (CONTINUED)

State of Readiness: The Company uses a five-step process to manage its Y2K program: 1. Inventory (identify items to be assessed for Y2K readiness); 2. Assessment (prioritize the inventoried items, assess and document their Y2K readiness and plan corrective actions); 3. Renovation/Upgrade (apply corrective actions); 4. Testing (verify corrective actions); 5. Implementation (implement new system). The Company believes that its recently developed account management system, which is used primarily for customer billing, accounts receivable and sales taxes, and the materials management and catalog sales systems which were installed at its Owensboro, KY facility are Y2K compliant. Additionally, as part of an ongoing IS initiative, the Company is in the process of installing a new third party payroll and human resources system which has been represented to be Y2K compliant -- implementation is planned for February, 1999. The Company has grouped the rest of its information systems and technology into 3 categories for its Y2K program: 1. Information Technology (computer hardware and software, including financial systems and electronic data interchange (EDI) interfaces); 2. Physical Plant (production equipment and facilities); 3. Extended Enterprise (suppliers and customers). The Company has, at a minimum, reached the renovation/upgrade step on all projects. Some projects are currently being tested and a number of projects have been implemented.

Costs: The Company expects that the total cost of its Y2K program will range from $1.0 to $1.5 million. As of November 28, 1998 the Company had spent approximately $0.6 million. These costs do not include the account management, Owensboro, KY and new payroll and human resources systems discussed above.

Risks of Y2K issues and Contingency Plans: Since the beginning of its Y2K program, the Company has focused its resources on the systems which are critical to its business operations. While the Company believes it is addressing the Y2K risks within its control, there are other risks, such as utilities and other suppliers, which are beyond the immediate control of the Company. Based on current information, the Company believes that the Y2K problem will not have a material adverse effect on the results of operations of the Company. There can, however, be no assurances that Y2K remediation by others, including suppliers, will be properly completed, and failure to do so could have a material adverse effect on the results of operations of the Company. Contingency plans are in the process of being developed for all Y2K projects which are critical to the Company's business operations.

EFFECTS OF INFLATION

Inflation has had the effect of increasing the reported amounts of the Company's revenues and costs. The Company uses the last-in, first-out (LIFO) method to value a significant portion of inventories. This method tends to reduce the amount of income due to inflation included in the Company's results of operations. The Company believes that, through increases in its prices and productivity improvements, it has been able to recover increases in costs and expenses attributable to inflation.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For information regarding quantitative and qualitative disclosures about market risk, see the Company's discussion under Item 7A of its Annual Report on Form 10-K for the fiscal year ended August 29, 1998. Between August 29, 1998 and November 28, 1998, there were no material changes in the Company's market risk.

SAFE HARBOR FOR FORWARD LOOKING STATEMENTS

Forward looking statements contained in this quarterly report are subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995 and are highly dependent upon a variety of important factors that could cause actual results to differ materially from those reflected in such forward looking statements. Such factors include those indicated in the section entitled "Risk Factors" in the Company's Prospectus, dated March 18, 1998, as well as the risks and uncertainties relating to the centralization of certain of the Company's operations at its Owensboro, KY distribution facility, the Company's handling of the Year 2000 issue, and the Company's ability to control manufacturing and operating costs. When used in this quarterly report, the words "intend," "anticipate," "believe," "estimate," and "expect" and similar expressions as they relate to the Company are included to identify such forward looking statements.

PART II - OTHER INFORMATION

FORM 10-Q
UNIFIRST CORPORATION AND SUBSIDIARIES

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

(27) Financial Data Schedule

(b) Reports on Form 8-K: None

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 of the undersigned thereunto duly authorized.

UNIFIRST CORPORATION

/s/ RONALD D. CROATTI

Ronald D. Croatti
Vice Chairman, President and
Chief Executive Officer

Date: January 12, 1999

/s/ JOHN B. BARTLETT

John B. Bartlett
Senior Vice President
and Chief Financial Officer

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
FINANCIAL STATEMENTS OF UNIFIRST CORPORATION FOR THE THIRTEEN WEEKS ENDED
NOVEMBER 28, 1998, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH
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