SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Fiscal Year Ended December 31, 1998

(No Fee Required)

Commission File Number 1-12381

Linens 'n Things, Inc.
(Exact name of registrant as specified in its charter)

Delaware	22-3463939
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
6 Brighton Road Clifton, New Jersey	07015
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (973) 778-1300

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $0.01 par value	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act:
None

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 by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. X

The aggregate market value of voting stock held by non-affiliates of the Registrant on March 1, 1999, based on the closing sale price on the New York Stock Exchange on such date, was approximately $1.4 billion.

The number of outstanding shares of the Registrant's common stock, $0.01 par value, as of March 1, 1999 was 39,096,525.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Annual Report to Shareholders for the fiscal year ended December 31, 1998 are incorporated by reference into Part II, and portions of the Registrant's Proxy Statement for the 1999 Annual Meeting of Shareholders are incorporated by reference into Part III.

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PART I

Item 1. Business

General

Linens 'n Things, Inc. and its subsidiaries ("Linens 'n Things" or the "Company") is one of the leading, national large format retailers of home textiles, housewares and home accessories operating 196 stores in 38 states as of December 31, 1998. The Company's current store prototype ranges between 35,000 and 40,000 gross square feet in size and such stores are located in strip centers and, to a lesser extent, in malls and as stand-alone stores. The Company's business strategy is to offer a broad selection of high quality, brand name merchandise at exceptional everyday values, provide superior guest service and maintain low operating costs.

Linens 'n Things' extensive selection of over 30,000 Stock Keeping Units ("SKUs") in its superstores is driven by the Company's commitment to offering a broad and deep selection of high quality, brand name "linens" (e.g., bedding, towels and pillows) and "things" (e.g., housewares and home accessories) merchandise. Brand names sold by the Company include Wamsutta, Martex, Waverly, Laura Ashley, Royal Velvet, Croscill, Braun, Krups, Calphalon and Henckels. The Company also sells an increasing amount of merchandise under its own private label (approximately 10% of sales) which is designed to supplement the Company's offering of brand name products by offering high quality merchandise at value prices. The Company's merchandise offering is coupled with a "won't be undersold" everyday low pricing strategy.

From its founding in 1975 through the late 1980's, the Company operated a chain of traditional stores ranging between 7,500 and 10,000 gross square feet in size. Beginning in 1990, the Company introduced its superstore format which has evolved from 20,000 gross square feet in size to its current size ranging from 30,000 to 50,000 gross square feet. This superstore format offers a broad merchandise selection in a more visually appealing, guest friendly format. The Company's introduction of superstores has resulted in the closing or relocation of 128 of the Company's traditional stores through December 31, 1998. As a result of superstore openings and traditional store closings, the Company's gross square footage more than tripled from 2.1 million to 6.5 million over the last five years although its store base only increased 37% from 143 to 196 during this period.

As part of this strategy, the Company instituted centralized management and operating programs and invested significant capital in its distribution and management information systems infrastructure in order to control operating expenses as the Company grows. In addition, as part of its strategic initiative to capitalize on customer demand for one-stop shopping destinations, the Company has balanced its merchandise mix from being driven primarily by the "linens" side of its business to a fuller selection of "linens" and "things." The Company estimates that the "things" side of its business has increased from less than 10% of net sales in 1991 to slightly less than 38% in 1998.

The Company was a wholly-owned subsidiary of CVS Corporation ("CVS"), formerly Melville Corporation, until November 26, 1996 when CVS completed an initial public offering ("IPO") of 13,000,000 shares of the Company's common stock, on a pre-split basis. Subsequent to the IPO, CVS owned approximately 32.5% of the Company's common stock, having retained 6,267,758 shares, on a pre-split basis. During 1997, CVS sold substantially all of its remaining shares of the Company's common stock in a public offering. At December 31, 1997, CVS held no shares of the Company's common stock. Unless otherwise indicated, all share information is adjusted to reflect the Company's two-for-one common stock split effected in May 1998.

Executive Officers and Certain Key Personnel

The following table sets forth information regarding the executive officers of the Company:

Name	Age	Position
Norman Axelrod.....................	46	Chairman, Chief Executive Officer and President
Steven B. Silverstein..............	39	Executive Vice President, Chief Merchandising Officer
Hugh J. Scullin....................	50	Senior Vice President, Store Operations
Brian D. Silva	42	Senior Vice President, Human Resources and Corporate Secretary
William T. Giles...................	39	Vice President, Chief Financial Officer

Mr. Axelrod has been Chief Executive Officer and President of the Company since 1988 and was elected to the additional position of Chairman of the Board of Directors of the Company effective as of January 1997. Prior to joining Linens 'n Things, Mr. Axelrod held various management positions at Bloomingdale's between 1976 to 1988 including: Buyer, Divisional Merchandise Manager, Vice President/Merchandise Manager and Senior Vice President/General Merchandise Manager. Mr. Axelrod earned his B.S. from Lehigh University and his M.B.A. from New York University.

Mr. Silverstein joined Linens 'n Things in 1992 as Vice President, General Merchandise Manager, was promoted to Senior Vice President, General Merchandise Manager in 1993, and was promoted to Executive Vice President, Chief Merchandising Officer in 1998. Prior to joining Linens 'n Things, Mr. Silverstein held various management positions at Bloomingdale's from 1985 to 1992 including Merchandise Vice President of Home Textiles. He received his B.A. from Cornell University and his M.B.A. from Wharton Business School.

Mr. Scullin joined Linens 'n Things in 1989 as Vice President, Store Operations. Mr. Scullin has been Senior Vice President, Store Operations since 1994. From 1978 to 1987, Mr. Scullin held various management positions with The Gap, Inc., including Zone Vice President at both The Gap and Banana Republic from 1984 to 1987. From 1987 to 1989, Mr. Scullin was Vice President of Stores with Alcott and Andrews. Mr. Scullin graduated from St. Joseph's University with a B.S. in Marketing Management.

Mr. Silva joined Linens 'n Things in 1995 as Vice President, Human Resources and was promoted to Senior Vice President, Human Resources and Corporate Secretary in 1997. Mr. Silva was Assistant Vice President, Human Resources at The Guardian, an insurance and financial services company, from 1986 to 1995. He holds an M.A. in Organizational Development from Columbia University and an M.S. in Human Resources Management from New York Institute of Technology. Mr. Silva received his B.A. from St. John's University.

Mr. Giles joined Linens 'n Things in 1991 as Assistant Controller, was promoted to Vice President, Finance and Controller in 1994 and was promoted to Vice President, Chief Financial Officer in 1997. From 1981 to 1990, Mr. Giles was with Price Waterhouse LLP. From 1990 to 1991, Mr. Giles held the position of Director of Financial Reporting with Melville Corporation. Mr. Giles is a certified public accountant and member of the American Institute of Certified Public Accountants. He graduated from Alfred University with a B.A. in Accounting and Management.

The following table sets forth information regarding certain other key managers of the Company:

Name	Age	Position
Matthew J. Meaney	52	Vice President, Management Information Systems
Dominick J. Trapasso	45	Vice President, Logistics

Mr. Meaney joined Linens 'n Things in 1991 as Vice President, Management Information Systems. From 1985 to 1991, Mr. Meaney was Vice President of Management Information Systems for Laura Ashley, Inc. Mr. Meaney received a B.S. in Economics from St. Peter's College and an M.B.A. in Finance from Seton Hall University.

Mr. Trapasso has been Vice President, Logistics since joining Linens 'n Things in 1993. From 1979 to 1986, he was employed with John Wanamaker as Director, Warehouse, Distribution. From 1986 to 1993, he was Senior Vice President, Distribution and Transportation at Charming Shoppes, Inc. Mr. Trapasso received his B.A. from New York University.

Business Strategy

The Company's business strategy is to offer a broad selection of high quality, brand name merchandise at exceptional everyday values, provide superior guest service and maintain low operating costs. Key elements of the Company's business strategy are:

Offer a Broad Selection of Quality Name Brands at Exceptional Everyday Values. Linens 'n Things' merchandising strategy is to offer the largest breadth of selection in high quality, brand name fashion home textiles, housewares and home accessories at exceptional everyday values. The Company offers over 30,000 SKUs in its superstores across six departments, including bath, home accessories, housewares, storage, top of the bed and window treatments. The Company is one of the largest retailers of brand names, including Wamsutta, Martex, Waverly, Laura Ashley, Royal Velvet, Croscill, Braun, Krups, Calphalon and Henckels. The Company also sells an increasing amount of merchandise under its own private label which is designed to supplement the Company's offering of brand name products by offering high quality merchandise at value prices.

Merchandise and sample brands offered in each major department are highlighted below:

Department	Items Sold	Sample Brands
Bath	Towels, shower curtains, waste baskets, hampers, bathroom rugs and wall hardware	Fieldcrest, Wamsutta, Martex, Royal Velvet, Springmaid and Guess
Home Accessories	Decorative pillows, napkins, tablecloths, placemats, lamps, gifts, picture frames and framed art	Waverly, Laura Ashley and Guess
Housewares	Cookware, cutlery, kitchen gadgets, small electric appliances (such as blenders and coffee grinders), dinnerware, flatware and glassware	Braun, Krups, Calphalon, Cuisinart, Henckels, Mikasa, Circulon, Farberware, Black & Decker, Kitchen Aid, Copco and International Silver
Storage	Closet-related items (such as hangers, organizers and shoe racks)	Rubbermaid and Closetmaid

Top of the Bed	Sheets, comforters, comforter covers, bedspreads, bed pillows, blankets and mattress pads	Wamsutta, Laura Ashley, Revman, Croscill, Fieldcrest, Springmaid, Guess, Royal Sateen and Beautyrest
Window Treatment	Curtains, valances and window hardware	Croscill, Graber, Waverly and Laura Ashley

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Provide Superior Guest Service and Shopping Convenience. To enhance guest satisfaction and loyalty, Linens 'n Things strives to provide prompt, knowledgeable sales assistance and enthusiastic guest service. Linens 'n Things emphasizes competitive wages, training and personnel development in order to attract and retain well-qualified, highly motivated employees committed to providing superior guest service. Linens 'n Things also endeavors to provide more knowledgeable sales associates by providing training through various programs which include management training, daily sales associate meetings and in-store product seminars. In addition, the Company has taken initiatives to enhance the speed of its guest service, including enhancing credit card authorization and upgrading its current point-of-sale ("POS") system. The Company has also transferred the inventory and receiving responsibilities from the stores to the distribution center thereby allowing associates to redirect their focus from the backroom to the selling floor which has enhanced the guest's shopping experience. During 1997, the Company introduced gift registry service in all its stores nationwide to also better serve its guests. The Company's superstore format is designed to save the guest time by having merchandise visible and accessible on the selling floor for immediate purchase. The Company believes its knowledgeable sales staff and efficient guest service, together with the Company's liberal return policy, create a positive shopping experience which engenders guest loyalty.

Maintain Low Operating Costs. A cornerstone of the Company's business strategy is its commitment to maintain low operating costs. In addition to savings realized through sales volume efficiencies, operational efficiencies are expected to be achieved through the streamlining of the Company's centralized merchandising structure, the use of integrated management information systems and the utilization of the distribution centers. See "Forward-Looking Statements."

Growth Strategy

New Superstore Expansion. The Company operates in a large, highly-fragmented industry and has a market share of less than two percent of the industry. The Company's expansion strategy is to increase market share in existing markets and to penetrate new markets in which the Company believes it can become a leading operator of home furnishings superstores. The Company generally seeks to operate stores in the United States in trading areas of 200,000 persons within a ten-mile radius and with demographic characteristics that match the Company's target profile. See "Forward-Looking Statements".

The following table sets forth information concerning the Company's expansion program during the past five years:

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			Square Footage		Store Count	
Year	Openings	Closings	Begin Year	End Year	Begin Year	End Year
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1994	29	27	2,078	2,865	143	145
1995	28	18	2,865	3,691	145	155
1996	36	22	3,691	4,727	155	169
1997	25	18	4,727	5,493	169	176
1998	32	12	5,493	6,487	176	196

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Linens 'n Things focuses on opening new superstores in areas where it believes it can become a leading retailer of home-related products. Markets for new superstores are selected on the basis of demographic factors, such as income, population and number of households. The Company's stores are located predominantly in power strip centers and, to a lesser extent, in malls and as stand-alone stores.

During the first quarter of 1999, the Company entered into certain lease commitments in Canada. As part of the Company's overall store opening schedule, it expects to open its first Canadian store by early fiscal 2000. The Company continues to review its plans for Canada and does not expect any material impact on operations for fiscal 1999 and fiscal 2000.

Increase Productivity of Existing Store Base. The Company is committed to seeking to increase its net sales per square foot, inventory turnover ratio and return on invested capital. The Company believes the following initiatives will best position it to achieve these goals:

Enhance Merchandise Mix and Presentation. The Company continues to explore opportunities to increase sales in its "things" merchandise without sacrificing market share or guest image in the "linens" side of the business. The Company expects these opportunities to positively impact net sales per square foot, the average net sale per guest and inventory turnover since "things" merchandise tends to be more impulse driven merchandise as compared to the "linens" portion of the business. See "Forward-Looking Statements." The Company is consistently introducing new products which it expects will increase sales and generate additional guest traffic.

In addition, the Company intends to continue improving its merchandising presentation techniques, space planning and store layout to further improve the productivity of its existing and future superstore locations. The Company periodically restyles its stores to incorporate new offerings and realign its store space with its growth segments. The Company expects that the addition of in-store guest services, such as a gift registry, will further improve its store productivity. See "Forward-Looking Statements".

Increase Operating Efficiencies. As part of its strategy to increase operating efficiencies, the Company has invested significant capital in building a centralized infrastructure, including a distribution center and a management information system, which it believes will allow it to maintain low operating costs as it pursues its superstore expansion strategy. See "Forward-Looking Statements." In July 1995, the Company began full operation of its distribution center in Greensboro, North Carolina. By the end of 1998, approximately 85% of merchandise was being received at the distribution center. By mid-1999, the Company will begin operation of its second distribution center in Southern New Jersey. Management believes that the increased utilization of the Greensboro distribution center has resulted in lower average freight costs, more efficient scheduling of inventory shipments to the stores, better in-stock positions and improved information flow. The Company believes that the transfer of inventory receiving responsibilities from the stores to the distribution center allows the store sales associates to redirect their focus to the sales floor, thereby increasing the level of guest service. The warehouse portion of the distribution center provides the Company flexibility to manage safety stock and take advantage of opportunistic purchases. The Company's ability to effectively manage its inventory is also enhanced by a centralized merchandising management team and its management information systems which allows the Company to more accurately monitor and better balance inventory levels and improve in-stock positions in its stores.

Continue Conversion of Store Base to Superstore Format. As of December 31, 1998, the Company operated 183 superstores, representing approximately 95% of its total stores. Although the remaining 13 traditional stores are currently profitable, the Company currently plans to close or relocate most of these stores by the end of 1999. See "Forward-Looking Statements."

Industry

According to Industry Reports, total industry sales of products sold in the Company's stores, which primarily includes home textiles, housewares and decorative furnishings categories, were estimated to be over $67 billion in 1998. The market for home furnishings is large, highly-fragmented and competitive. Specialty superstores are the fastest growing channel of distribution in this market. In 1998, the Company estimates that the three largest specialty superstore retailers of fashion home textiles (including the Company) had aggregate sales representing less than 5% of the industry's total unit sales.

The Company competes with many different types of retailers that sell many or most of the items sold by the Company, including department stores, mass merchandisers, specialty retail stores and other retailers. Linens 'n Things generally classifies its competition as the following:

Department Stores: This category includes national and regional department stores such as J.C. Penney Company Inc., Sears, Roebuck and Co., Dillard Department Stores, Inc., and the department store chains operated by Federated Department Stores, Inc. and The May Department Store Company. These retailers offer name brand merchandise as well as their own private label furnishings in a high service environment. Department stores also offer certain designer merchandise, such as Ralph Lauren, which is not generally distributed through the specialty and mass merchandise distribution channels. In general, the department stores offer a more limited selection of merchandise than the Company. The prices offered by department stores during off-sale periods generally are significantly higher than those of the Company and during on-sale periods are comparable to or slightly higher than those of the Company.

Mass Merchandisers: This category includes companies such as Wal-Mart Stores, Inc., the Target Stores division of Dayton Hudson Corporation and Kmart Corporation. Fashion home furnishings generally represent only a small portion of the total merchandise sales in these stores. The Company's competitive advantage is that these stores offer a more limited merchandise selection with fewer high quality name brands and lower quality merchandise at lower price points. In addition, these mass merchandisers typically have more limited customer service staffing than the Company.

Specialty Stores/Retailers: This category includes large format home furnishings retailers including Bed Bath & Beyond Inc., Home Place and Strouds, Inc. and smaller niche retailers such as Crate & Barrel, Lechters, Inc. and Williams-Sonoma, Inc. The Company estimates that large format stores range in size from approximately 15,000 to 70,000 gross square feet and offer a home furnishings merchandise selection of approximately 15,000 to 40,000 SKUs. These retailers attempt to develop loyal customers and increase customer traffic by providing a single outlet to satisfy all the customer's household needs. The niche retailers are typically smaller in size than the large format superstores and offer a broad assortment within a specific niche.

Other Retailers: This category includes mail order retailers, such as Spiegel Inc. and Domestications, off-price retailers, such as the T.J. Maxx and Marshall's divisions of the TJX Companies, Inc. and local "mom and pop" retail stores. Both mail order retailers and smaller local retailers generally offer a more limited selection of merchandise. Off-price retailers typically offer close-out or out of season name brand merchandise at competitive prices.

Merchandising

The Company offers quality home textiles, housewares and home accessories at exceptional everyday values. The Company's strategy consists of a commitment to offer a breadth and depth of selection and to create a merchandise presentation that makes it easy to shop in a visually pleasing environment. The stores feature a "racetrack" layout, enabling the guest to visualize and purchase fully coordinated and accessorized ensembles. Seasonal merchandise is featured at the front of every store to create variety and excitement and to capitalize on key selling seasons including back-to-school and holiday events.

The Company's extensive merchandise offering of over 30,000 SKUs enables its guests to select from a wide assortment of styles, brands, colors and designs within each of the Company's major product lines. The Company is committed to maintaining a consistent in-stock inventory position. This presentation of merchandise enhances the guest's impression of a dominant selection of merchandise in an easy-to-shop environment. The Company's broad and deep merchandise offering is coupled with everyday low prices that are substantially below regular department store prices and comparable with or slightly below department store sale prices. The Company believes that the uniform application of its everyday low price policy is essential to maintaining the integrity of its strategy. This is an important factor in establishing its reputation as a price leader and in helping to build guest loyalty. In addition, the Company offers, on a regular basis, "special" merchandise which it obtains primarily through opportunistic purchasing to enhance its high value perception among its guests.

Customer Service

Linens 'n Things treats every customer as a guest. The Company's philosophy supports enhancing the guest's entire shopping experience and believes that all elements of service differentiate it from the competition. To facilitate the ease of shopping, the assisted self-service culture is complemented by trained department specialists, zoned floor coverage, product information displays and videos, self-demonstrations and in-store product seminars. This philosophy is designed to encourage guest loyalty as well as continually develop knowledgeable Company associates. The entire store team is hired and trained to be highly visible in order to assist guests with their selections. The ability to assist guests has been augmented by the transfer of inventory receiving responsibilities from the stores, allowing sales associates to focus on the sales floor. Sophisticated management systems which provide efficient guest service and liberal return procedures are geared toward making each guest's final impression of visiting a store a convenient, efficient and pleasant experience.

Advertising

Advertising programs are focused on building and strengthening the Linens 'n Things concept and image. Because of the Company's commitment to exceptional everyday values, advertising vehicles are aggressively used in positioning the Company among new and existing guests by communicating price, value and breadth and depth of selection. The Company focuses its advertising programs during key selling seasons such as back-to-school and holidays.

The Company primarily uses full color inserts in newspapers to reach its guests which are also supplemented by direct mail marketing initiatives. In addition, the Company periodically advertises on television during peak seasonal periods or for promotional events. Grand opening promotional events are used to support new stores, with more emphasis placed on those located in new markets.

Purchasing and Suppliers

The merchandising mix for each store is selected by the central buying staff in consultation with district store managers. The Company purchases its merchandise from approximately 1,000 suppliers. Springs Industries, Inc., through its various operating companies, supplied approximately 10% of the Company's total purchases in 1998. In 1998, the Company purchased a significant number of products from other key suppliers. Due to its breadth of selection, the Company is often one of the largest customers for certain of its vendors. The Company believes that this buying power and its ability to make centralized purchases generally allow it to acquire products at favorable terms.

Distribution

The Company operates a distribution center in Greensboro, North Carolina. The Company began full operation of the distribution center in 1995. The utilization of the centralized distribution center has resulted in lower average freight expense, more timely control of inventory shipments to stores, improved inventory turnover, better in-stock positions and improved information flow. In addition, transferring inventory receiving responsibilities from the stores to the distribution center allows the sales associates to redirect their focus to the sales floor, thereby increasing the level of guest service. The Company believes strong distribution support for its stores is a critical element to its growth strategy and is central to its ability to maintain a low cost operating structure.

The Company manages the distribution process centrally from its corporate headquarters. Purchase orders issued by Linens 'n Things are electronically transmitted to the majority of its suppliers. By the end of 1998, the Company received approximately 85% of its total inventory through the distribution center. The balance of the Company's merchandise is directly shipped to individual stores. The Company plans to continue efforts to ship as much merchandise through the distribution center as possible to ensure all benefits of the Company's logistics strategy are fully leveraged. Continued growth will also facilitate new uses of Electronic Data Interchange technologies between Linens 'n Things and its suppliers to exploit the most productive and beneficial use of its assets and resources. In order to realize greater efficiency, the Company also uses third party delivery services to ship its merchandise from the distribution center to its stores.

To support the growth of the Company, a second distribution center located in Southern New Jersey, has been secured and the Company currently expects operation to begin by mid-1999.

Management Information Systems

Over the last several years, the Company has made significant investments in technology to improve guest service, gain efficiencies and reduce operating costs. Linens 'n Things has installed a customized IBM AS/400 management information system, which integrates all major aspects of the Company's business, including sales, distribution, purchasing, inventory control, merchandise planning and replenishment and financial systems. The Company utilizes POS terminals with price look-up capabilities for both inventory and sales transactions on a SKU basis, which the Company has recently upgraded. Information obtained daily by the system results in automatic inventory replenishment in response to specific requirements of each store.

The Company believes its management information systems have fully integrated the Company's stores, distribution and home office. The Company continually evaluates and upgrades its management information systems to enhance the quantity, quality and timeliness of information available to management.

Store Management and Operations

The Company places a strong emphasis on its people, their development and opportunity for advancement, particularly at the store level. The Company's commitment to maintaining a high internal promotion rate is best exemplified through the practice of opening each new store with a seasoned management crew. As a result, the vast majority of General Managers opening a new store have significant experience at the Company. Additionally, the structured management training program requires each new associate to learn all facets of the business within the framework of a fully operational store. This program includes, among other things, product knowledge, merchandise presentation, business and sales perspective, employee relations and manpower planning, complemented at the associate level through daily in-store product seminars and structured register training materials and proficiencies. The Company believes that its policy of promoting from within, as well as the opportunities for advancement generated by its ongoing store expansion program, serve as incentives to attract and retain quality individuals which, the Company believes, results in lower turnover.

Linens 'n Things' stores are open seven days a week, generally from 10:00 a.m. to 9:00 p.m. Monday through Saturday and 11:00 a.m. to 6:00 p.m. on Sunday, unless affected by local laws.

Inflation and Seasonality

The Company does not believe that its operating results have been materially affected by inflation during the past year. There can be no assurance, however, that the Company's operating results will not be affected by inflation in the future.

The Company's business is subject to substantial seasonal variations. Historically, the Company has realized a significant portion of its net sales and substantially all of its net income for the year during the third and fourth quarters. The Company's quarterly results of operations may also fluctuate significantly as a result of a variety of other factors, including the timing of new store openings. The Company believes this is the general pattern associated with its segment of the retail industry and expects this pattern will continue in the future. Consequently, comparisons between quarters are not necessarily meaningful and the results for any quarter are not necessarily indicative of future results.

Employees

As of December 31, 1998, the Company employed approximately 9,700 people of whom approximately 4,100 were full-time employees and 5,600 were part-time employees. None of the Company's employees are represented by unions, and the Company believes that it has a good relationship with its employees.

Competition

The Company believes that it will continue to face competition from retailers in all four of the categories referred to in "Business--Industry." The home textiles industry is becoming increasingly competitive and as the Company expands into new markets, it will face new competitors. The visibility of the Company may encourage additional competitors or existing competitors to imitate the Company's format and methods.

The Company believes that the ability to compete successfully in its markets is determined by several factors, including price, breadth and quality of product selection, in-stock availability of merchandise, effective merchandise presentation, guest service and superior store locations. The

Company believes that it is well positioned to compete on the basis of these factors. Nevertheless, there can be no assurance that any or all of the factors that enable the Company to compete favorably will not be adopted by companies having greater financial and other resources than the Company.

Trade Names and Service Marks

The Company uses the "Linens 'n Things" name as a trade name and as a service mark in connection with retail services. The Company has registered the "Linens 'n Things" logo as a service mark with the United States Patent and Trademark Office. Management believes that the name Linens 'n Things is an important element of the Company's business.

Forward-Looking Statements

This Form 10-K (including the information incorporated herein by reference) contains forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995. The statements are made a number of times throughout the document and may be identified by forward-looking terminology as "expect," "believe," "may," "will," "intend" or similar statements or variations of such terms. Such forward-looking statements involve certain risks and uncertainties including levels of sales, store traffic, acceptance of product offerings and fashions, competitive pressures from other home furnishings retailers, availability of suitable future store locations, schedule of store expansion plans and year 2000 readiness issues relating to the Company's internal systems and those of third parties. These and other important factors that may cause actual results to differ materially from such forward-looking statements are included in the "Risk Factors" section of the Company's Registration Statement on Form S-1 as filed with the Securities and Exchange Commission on May 29, 1997, and may be contained in subsequent reports filed with the Securities and Exchange Commission. You are urged to consider such factors. The Company assumes no obligation for updating any such forward-looking statements.

Item 2. Properties

As of December 31, 1998 the Company operated 196 retail stores in 38 states. The Company currently leases all of its existing stores and expects that its policy of leasing rather than owning will continue as it expands. The Company's leases provide for original lease terms that generally range from 10 to 20 years and certain of the leases provide for renewal options that range from 5 to 15 years at increased rents. Certain of the leases provide for scheduled rent increases and certain of the leases provide for contingent rent (based upon store sales exceeding stipulated amounts). CVS guarantees the leases of certain stores which were open prior to the Company's 1996 IPO. Following the IPO, CVS no longer enters into commitments to guarantee future leases on behalf of the Company.

The Company owns its distribution center in Greensboro, North Carolina. The Company leases its corporate office in Clifton, New Jersey and its distribution center in Southern New Jersey, which is expected to begin operations in mid-1999.

The table below sets forth the number of stores located in each state as of December 31, 1998:
<TABLE>
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State	Number of Stores	State	Number of Stores
Alabama	1	Missouri	2
Arizona	5	Nebraska	1
Arkansas	1	Nevada	2
California	25	New Hampshire	1
Colorado	4	New Jersey	9
Connecticut	7	New Mexico	2
Florida	17	New York	9
Georgia	8	North Carolina	7
Idaho	1	Ohio	3
Illinois	13	Oklahoma	1
Indiana	2	Oregon	3
Kansas	2	Pennsylvania	6
Kentucky	1	Rhode Island	1
Louisiana	2	Tennessee	5
Maine	1	Texas	16

Maryland	3	Utah	3
Massachusetts	7	Virginia	11
Michigan	3	Washington	6
Minnesota	4	Wisconsin	1

Item 3. Legal Proceedings

There are no material legal proceedings against the Company. The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity.

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

No matters were submitted to a vote of security holders during the fourth quarter ended December 31, 1998.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

Linens 'n Things' common stock is listed on the New York Stock Exchange. Its trading symbol is LIN. At December 31, 1998 there were approximately 7,850 beneficial shareholders. The high and low trading price of the Company's common stock for each quarter of 1998 and 1997 (adjusted to give effect to the Company's two-for-one common stock split effected in May 1998) is as follows:

For the Year Ended December 31, 1998	High	Low
First Quarter	$28 1/2	$19 1/2
Second Quarter	34 11/16	27 1/16
Third Quarter	35 7/8	23
Fourth Quarter	40 5/8	16 5/8

For the Year Ended December 31, 1997	High	Low
First Quarter	$13	$ 8 3/4
Second Quarter	14 5/8	9 1/8
Third Quarter	18 1/8	13
Fourth Quarter	22 1/4	15 5/16

The Company paid no dividends on its common stock in 1998 and 1997. Management of the Company currently intends to retain its earnings to finance the growth and development of its business and does not currently anticipate paying cash dividends in the foreseeable future. The payment of any future dividends will be at the discretion of the Company's Board of Directors and will depend upon, among other things, the future earnings, operations, capital requirements and financial condition of the Company, satisfying all requirements under its bank financing agreement and such other factors as the Company's Board of Directors may consider relevant. In addition, the revolving credit facility currently prohibits the Company to pay cash dividends.

Item 6. Selected Financial Data

The information required by this Item is incorporated by reference to the Five-Year Financial Summary appearing on page 13 of the Company's 1998 Annual Report to Shareholders.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information required by this Item is incorporated by reference to pages 14 through 17 of the Company's 1998 Annual Report to Shareholders.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 8. Financial Statements and Supplementary Data

The financial statements and financial information required by this Item are incorporated by reference to pages 18 through 28 and page 30 of the Company's 1998 Annual Report to Shareholders. These financial statements are indexed under Item 14(a)(1). See also the financial statement schedule that is included herein and is indexed under Item 14(a)(2).

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There were no disagreements between the Company and its independent public accountants on matters of accounting principles or practices.

PART III

Item 10. Directors and Executive Officers of the Registrant

The information required by this Item concerning the Company's directors is incorporated by reference to the Company's Proxy Statement to be mailed to shareholders for the Company's 1999 Annual Meeting of Shareholders, under the heading "Election of Two Directors."

The information required by this Item concerning the Company's executive officers is incorporated by reference to Part I, Item 1, "Business - Executive Officers and Certain Key Personnel."

The information required by this Item with respect to Section 16 reporting is incorporated by reference to the Company's Proxy Statement for the Company's 1999 Annual Meeting of Shareholders, under the heading "Section 16(a) Beneficial Ownership Reporting Compliance."

Item 11. Executive Compensation

The information required by this Item is incorporated by reference to the Company's Proxy Statement for the 1999 Annual Meeting of Shareholders, under the headings "Director Compensation - Attendance; Committees" and "Executive Compensation" other than information included therein under the subcaptions "Report on Compensation of Executive Officers" and "Performance Graph" which are not incorporated herein.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information required by this Item is incorporated by reference to the Company's Proxy Statement for the 1999 Annual Meeting of Shareholders, under the heading "Beneficial Ownership of Common Stock."

Item 13. Certain Relationships and Related Transactions

The information required by this Item is incorporated by reference to the Company's Proxy Statement for the 1999 Annual Meeting of Shareholders, under the heading "Certain Transactions with Related Parties."

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) The following documents are filed as part of this Report.

1. Financial Statements:

The following Financial Statements of Linens 'n Things, Inc. are incorporated by reference to the Company's 1998 Annual Report to Shareholders:
<TABLE>
<CAPTION>

Pages in Annual Report to Shareholders

2. Schedules:

The supplementary income statement schedule is included in this Report.

3. Exhibits:

The Exhibits on the accompanying Exhibit Index are filed as part of, or incorporated by reference into, this Annual Report on Form 10-K.

Schedule 1

Linens 'n Things, Inc. and Subsidiaries
Supplementary Income Statement Information
(in thousands)

Item	Year Ended December 31, 1998	Year Ended December 31, 1997	Year Ended December 31, 1996
Advertising Costs	$28,913	$25,161	$19,743

EXHIBIT INDEX

Exhibit Number	Description
3.1	Certificate of Incorporation of the Registrant(1)
3.2	Amended and Restated Certificate of Incorporation(1)
3.3	By-Laws of the Registrant(1)
4	Specimen Certificate of Common Stock(1)
10.1	Transitional Services Agreement between the Registrant and CVS Corporation(1)
10.2	Stockholder Agreement between the Registrant and CVS Corporation(1)
10.3	Tax Disaffiliation Agreement between the Registrant and CVS Corporation(1)
10.4	Subordinated Note between Registrant and CVS(1)
10.5	Credit Facility(1)
10.6	Employment Agreement with Norman Axelrod*(1)
10.8	Employment Agreement with Steven B. Silverstein*(1)
10.9	Employment Agreement with Hugh J. Scullin*(1)
10.10	1996 Incentive Compensation Plan*(1)
10.11	1996 Non-Employee Director Stock Plan*(1)
11	Computation of Net Income (Loss) Per Common Share(2)
12	Computation of Ratio of Earnings to Fixed Charges(2)
13	Annual Report to Shareholders for 1998 fiscal year**
21	List of Subsidiaries(3)
23a	Consent of KPMG LLP(2)

27 Financial Data Schedule (filed electronically with SEC only)(2)

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(1) Incorporated by reference to the Exhibits filed with the Company's Registration Statement on Form S-1 (No. 333-12267), which Registration Statement became effective on November 26, 1996.

(2) Filed with this Form 10-K.

(3) Incorporated by reference to Exhibit 21 to the Company's 1996 Annual Report on Form 10-K.

* Management contract or compensatory plan or arrangement.

(b) Reports on Form 8-K:

No Current Reports on Form 8-K were filed by the Company during the last quarter of 1998.

** With the exception of the information incorporated by reference to the Annual Report to Shareholders in Items 6, 7, and 8 of Part II and Item 14 of Part IV of this Form 10-K, the Annual Report to Shareholders is not deemed filed as part of this Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Linens 'n Things, Inc.
(Registrant)

By: /S/ Norman Axelrod

Norman Axelrod
Chairman, Chief Executive Officer and President

Dated: March 25, 1999

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below on its behalf of the Registrant in the capacities and on the dates indicated.

<TABLE>
<CAPTION>

Signature	Title	Date
<S>	<C>	<C>
/S/ Norman Axelrod Norman Axelrod	Chairman, Chief Executive Officer and President	March 25, 1999
/S/ Philip E. Beekman Philip E. Beekman	Director	March 25, 1999
/S/ Harold F. Compton Harold F. Compton	Director	March 25, 1999
/S/ Charles C. Conaway Charles C. Conaway	Director	March 25, 1999
/S/ Stanley P. Goldstein Stanley P. Goldstein	Director	March 25, 1999
/S/ William T. Giles	Vice President, Chief Financial Officer	March 25, 1999

William T. Giles (Principal Financial Officer)

</TABLE>

<TABLE>
<CAPTION>

EXHIBIT 11

Linens 'n Things, Inc. and Subsidiaries
Computation of Net Income (Loss) Per Common Share
(in thousands, except per share data)

<S>	1998 <C>	1997 <C>	1996 <C>	1995 <C>	1994 <C>
BASIC					
Weighted average number of shares outstanding......	38,895	38,578	38,536	38,536	38,536
Net income (loss) before cumulative effect of change in accounting principle...................	$38,062	$25,790	$15,039	$ (34)	$17,198
Cumulative effect of change in accounting principle...	--	--	--	178	--
Net income (loss) applicable to common shares......	$38,062	$25,790	$15,039	$(212)	$17,198
Per share amounts					
Net income (loss) before cumulative effect of change in accounting principle..................	$ 0.98	$ 0.67	$ 0.39	$ (0.00)	$ 0.45
Cumulative effect of change in accounting principle.....................................	--	--	--	0.01	--
Net income (loss) per share........................	$ 0.98	$ 0.67	$ 0.39	$ (0.01)	$ 0.45
DILUTED					
Weighted average number of shares outstanding and diluted common share equivalents...............	40,407	39,537	38,558	38,536	38,536
Net income (loss) before cumulative effect of change in accounting principle.....................	$38,062	$25,790	$15,039	$ (34)	$17,198
Cumulative effect of change in accounting Principle.......................................	--	--	--	178	--
Net income (loss) applicable to common shares......	$38,062	$25,790	$15,039	$(212)	$17,198
Per share amounts					
Net income (loss) before cumulative effect of change in accounting principle.....................	$ 0.94	$ 0.65	$ 0.39	$ (0.00)	$ 0.45
Cumulative effect of change in accounting principle...	--	--	--	0.01	--
Net income (loss) per share........................	$ 0.94	$ 0.65	$ 0.39	$ (0.01)	$ 0.45

</TABLE>

<TABLE>
<CAPTION>

EXHIBIT 12

Linens 'n Things, Inc. and Subsidiaries
Computation of Ratio of
Earnings to Fixed Charges
($ in thousands, except Ratio of Earnings to Fixed Charges)

<S>	1998 <C>	1997 <C>	1996 <C>	1995 <C>	1994 <C>
NET EARNINGS					
Net income (loss)..................................	$38,062	$25,790	$15,039	$ (34)	$ 17,198
Income taxes.......................................	23,843	18,704	10,952	1,108	11,874
Interest expense, excluding capitalized interest.....	594	1,405	4,692	7,059	3,170
Portion of rents deemed representative of interest factor (1/3).........................	27,819	23,271	17,774	12,946	9,504
	$90,318	$69,170	$48,457	$ 21,079	$ 41,746
FIXED CHARGES					
Gross interest expense.............................	$ 774	$ 1,574	$ 4,692	$ 7,059	$ 3,170
Portion of rents deemed representative of interest factor (1/3).........................	27,819	23,271	17,774	12,946	9,504
	$28,593	$24,845	$22,466	$ 20,005	$ 12,674
RATIO OF EARNINGS TO FIXED CHARGES	3.16	2.78	2.16	1.05	3.29

</TABLE>

<TABLE>
<CAPTION>

EXHIBIT 13

Annual Report
Linens 'n Things, Inc.
1998

Five-Year Financial Summary (in thousands, except per share and selected operating data)

	1998(1)	1997(1)	1996(1)	1995(2)	1994
<S>	<C>	<C>	<C>	<C>	<C>
Income Statement Data:					
Net Sales...	$1,066,194	$874,224	$696,107	$555,095	$440,118
Operating Profit..................................	61,988	45,507	30,683	8,133	32,242
Net Income (Loss).................................	38,062	25,790	15,039	(212)	17,198
Net Income (Loss) Per Share(3)....................	$ 0.94	$ 0.65	$ 0.39	$ (0.01)	$ 0.45
Weighted Average Shares Outstanding(4)............	40,407	39,537	38,558	38,536	38,536
Balance Sheet Data:					
Total Assets......................................	$ 560,844	$472,099	$423,957	$343,522	$273,167
Working Capital...................................	154,893	123,375	113,582	69,399	42,568
Total Long-Term Debt..............................	--	--	13,500	--	--
Shareholders' Equity..............................	$ 323,576	$280,035	$249,727	$ 76,678	$ 85,819
Selected Operating Data:					
Number of Stores..................................	196	176	169	155	145
Total Gross Square Footage (000's)................	6,487	5,493	4,727	3,691	2,865
Increase (Decrease) in Comparable Store Net Sales................................	8.3%	6.6%	1.1%	(1.5%)	5.4%

</TABLE>

(1) Reflects diluted earnings per share for 1998, 1997 and 1996 in accordance with Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings per Share" ("SFAS No. 128"). Basic earnings per share for 1998, 1997 and 1996 was $0.98, $0.67 and $0.39, respectively, based on weighted average shares outstanding of 38,895, 38,578 and 38,536, respectively.

(2) Reflects certain one-time special charges related to the CVS Strategic Program. Operating profit in 1995, excluding the effect of these charges, would have been $31.5 million.

(3) Unless otherwise stated, all references to common shares outstanding and income per share in the consolidated financial statements, notes to consolidated financial statements, and management's discussion and analysis of financial condition and results of operations are on a post-split basis.

(4) 1995 and prior reflect the actual shares issued upon the completion of the Company's initial public offering on November 26, 1996 adjusted for the stock split in May 1998.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following table sets forth the percentage of net sales for certain items included in the Company's consolidated statements of operations for the periods indicated:

<TABLE>
<CAPTION>

December 31	1998	1997	1996
<S>	<C>	<C>	<C>
Percentage of net sales			
Net sales......................	100.0%	100.0%	100.0%
Cost of sales, including buying and warehousing costs.	60.0	60.4	61.2
Gross profit...................	40.0	39.6	38.8
Selling, general and administrative expenses......	34.2	34.4	34.4
Operating profit...............	5.8	5.2	4.4
Interest expense, net..........	0.0	0.1	0.7
Income before income taxes.....	5.8	5.1	3.7

Provision for income taxes.....	2.2	2.1	1.5
	--------	--------	---------
Net income.....................	3.6%	3.0%	2.2%

</TABLE>

Year Ended December 31, 1998 Compared With Year Ended December 31, 1997

Net Sales

Net sales for 1998 were $1,066.2 million, an increase of 22.0% over 1997 sales of $874.2 million, primarily as a result of new store openings and increased comparable store net sales. The Company opened 32 superstores and closed 12 stores in 1998, as compared with opening 25 superstores and closing 18 stores in 1997. At December 31, 1998, the Company operated 196 stores, of which 183 were superstores, as compared with 176 stores, of which 153 were superstores at December 31, 1997. Comparable store net sales increased 8.3% in 1998 compared with 6.6% in 1997. Comparable store net sales were driven not only by higher consumer traffic, but by an increase in average transaction, which reflects the increased focus the Company has placed on providing better guest service as well as the continued expansion of "things" merchandise. In addition, the Company had a strong holiday selling season during the fourth quarter when the Company reported a comparable store net sales increase of 8.0%, compared with 7.3% for the same period last year.

The Company's average net sales per store increased to $5.9 million in 1998 up from $5.2 million in 1997. This increase was due to strong comparable store net sales increases and the continued closing of lower volume traditional stores. For the year ended December 31, 1998, net sales of "linens" merchandise increased approximately 20% over the prior year, while net sales of "things" merchandise increased approximately 30% for the same period. The greater increase in net sales for "things" merchandise primarily resulted from the continued expansion of product categories within the "things" business.

Gross Profit

Gross profit for 1998 was $427.1 million, or 40.0% of net sales, as compared with $346.3 million, or 39.6% of net sales, in 1997. This increase as a percentage of net sales resulted from improved selling mix, increased import volume, improvements in buying and lower freight costs from the leveraging of the Company's logistics network.

Expenses

Selling, general and administrative expenses ("S,G&A") for 1998 were $365.1 million, or 34.2% of net sales, as compared with $300.8 million, or 34.4% of net sales, in 1997. S,G&A expenses were leveraged as a result of an 8.3% comparable store net sales increase, which was offset in part by increased store openings as well as an investment in store payroll in order to provide better guest service.

Operating profit for 1998 increased to $62.0 million, or 5.8% of net sales, up from $45.5 million, or 5.2% of net sales, during 1997.

Net interest expense in 1998 decreased to $83,000 from $1.0 million, or 0.1% of net sales, during 1997. This decrease was due to improved earnings and working capital management as well as payment of the CVS Note in 1997.

The Company's income tax expense for 1998 was $23.8 million, as compared with $18.7 million during 1997. Through planning initiatives implemented in 1998, the Company's effective tax rate was reduced to 38.5% from 42.0% in 1997.

Net Income

Net income for 1998 was $38.1 million, or 3.6% of net sales as compared with $25.8 million, or 3.0% of net sales in 1997.

Year Ended December 31, 1997 Compared With Year Ended December 31, 1996

Net Sales

Net sales for 1997 were $874.2 million, an increase of 25.6% over 1996 sales of $696.1 million, primarily as a result of new store openings and increased comparable store net sales. The Company opened 25 superstores and closed 18 stores in 1997, as compared with opening 36 superstores and closing 22 stores in 1996. At December 31, 1997, the Company operated 176 stores, of which 153 were superstores, as compared with 169 stores, of which 132 were superstores at December 31, 1996. Comparable store net sales increased 6.6% in 1997 compared with 1.1% in 1996. Comparable store net sales were driven not only by higher consumer traffic, but by an increase in average transaction, which reflects the increased focus placed on providing better guest service as well as the continued expansion of "things" merchandise. In addition, the Company had a strong holiday selling season during the fourth quarter, having reported a comparable store net sales increase of 7.3%.

The Company's average net sales per store increased to $5.2 million in 1997 from $4.5 million in 1996. This increase was due to strong comparable store net sales increases and the continued closing of the lower volume traditional stores. For the year ended December 31, 1997, net sales of "linens" merchandise increased approximately 20% over the prior year, while net sales of "things" merchandise increased approximately 38% for the same period. The greater increase in net sales for "things" merchandise primarily resulted from the continued expansion of product categories within the "things" business.

Gross Profit

Gross profit for 1997 was $346.3 million, or 39.6% of net sales, as compared with $269.9 million, or 38.8% of net sales, in 1996. This increase as a percentage of net sales resulted from improvements in buying, improved selling mix and lower freight costs from the leveraging of the Company's logistics network.

Expenses

Selling, general and administrative expenses for 1997 were $300.8 million, or 34.4% of net sales, as compared with $239.2 million, or 34.4% of net sales, in 1996.

As a result of the factors described above, operating profit for 1997 increased to $45.5 million, or 5.2% of net sales, from $30.7 million, or 4.4% of net sales, during 1996.

Net interest expense in 1997 decreased 78.4% to $1.0 million, or 0.1% of net sales, from $4.7 million, or 0.7% of net sales, during 1996. This decrease was due primarily to an increase in cash flow from operations in 1997, as well as $158.0 million in capital contributions from CVS in 1996. These contributions were used to repay the Company's intercompany debt to CVS prior to the initial public offering ("IPO") in 1996.

The Company's income tax expense for 1997 was $18.7 million, as compared with $11.0 million during 1996. The Company's effective tax rate in 1997 was 42.0%, as compared with 42.1% in 1996.

Net Income

As a result of the factors described above, net income for 1997 was $25.8 million, or 3.0% of net sales, as compared with $15.0 million, or 2.2% of net sales in 1996.

Liquidity and Capital Resources

The Company's capital requirements are primarily for investments in new stores, new store inventory purchases and seasonal working capital, as well as the second distribution center which is currently planned to open mid-1999. These requirements are funded through a combination of internally generated cash from operations, credit extended by suppliers and short-term borrowings.

The Company has available a three-year, $90 million senior revolving credit facility agreement (the "Credit Agreement") with third party institutional lenders expiring March 31, 2001. The amount of borrowings can be increased up to $125 million provided certain terms and conditions contained in the Credit Agreement are met. The Credit Agreement contains certain financial covenants, including those relating to the maintenance of a minimum tangible net worth, a minimum fixed charge coverage ratio, and a maximum leverage ratio, as defined in the Credit Agreement. As of December 31, 1998, the Company was in compliance with the terms of the Credit Agreement. The Credit Agreement also allows for up to $25 million in borrowings from uncommitted lines of credit outside of the Credit Agreement. As of December 31, 1998, the Company had no borrowings under the Credit Agreement or against the uncommitted lines of credit. Management currently believes that the Company's cash flows from operations, the revolving credit facility and the uncommitted lines of credit will be sufficient to fund anticipated capital expenditures and working capital requirements in the foreseeable future.

Net cash provided by operating activities for the year ended December 31, 1998 was $27.7 million as compared with $75.2 million for the same period in 1997. This change was primarily a result of an increase in inventory levels over the prior year. The increase in inventory reflects the impact of new store openings, as well as the Company's decision to maintain and improve its in-stock position, which is consistent with the Company's focus to improve guest service. The increase in inventory was also in response to the strong comparable store net sales increase during 1998. In addition, the Company reported a smaller change in accounts payable than the prior year due to the timing of vendor payments.

Net cash used in investing activities for the year ended December 31, 1998 was $46.3 million, as compared with $35.4 million for the same period in 1997. This was a result of an increase in new store openings in 1998.

Net cash provided by financing activities for the year ended December 31, 1998 was $21.3 million compared with net cash used in financing activities of $26.8 million for the same period in 1997. Net cash provided by financing activities in 1998 was primarily attributable to the timing of the settlement of vendor payments, as well as proceeds from common stock exercised during the year under stock incentive plans. Net cash used in financing activities in 1997 was primarily attributable to the timing of the settlement of vendor payments as well as the prepayment of the $10.0 million obligation on the CVS Note.

The Year 2000 Issue

The Company has conducted a comprehensive review of its computer systems to identify material systems that could be affected by the "Year 2000" issue and has developed an implementation plan intended to address this issue.

The Company has adopted a five-phase Year 2000 program, the principal components of which are:

Phase I: Identification and ranking of those internal Company systems, technology and equipment considered critical or substantially important to the flow of its operations; and communication with significant suppliers and vendors to the Company concerning their Year 2000 readiness

Phase II: Assessment of items identified in Phase I

Phase III: Remediation or replacement of non-compliant identified internal systems and components and determination of solutions for non-compliant suppliers and vendors

Phase IV: Testing of systems and components

Phase V: Developing contingency plans to address the most reasonably likely worst case scenarios with respect to Year 2000

The identification and assessment phases of the Year 2000 program with respect to the Company's systems and equipment have been substantially completed for the Company's mission critical and other major information technology systems and hardware ("IT Systems") and for the Company's non-information technology equipment known to the Company to have microchips or other embedded technology and considered critical or substantially important to the flow of its operations ("non-IT Company Equipment"). The Company has also substantially completed the remediation phase for its IT Systems and its non-IT Company Equipment and substantially completed testing for its mission critical IT Systems. The Company currently expects to complete the testing phase for its IT Systems and non-IT Company Equipment including installation and testing of Year 2000 versions, by approximately the end of the second quarter of 1999. The Company will continue periodic testing during fiscal 1999 for new installations, versions or changes. Virtually all the compliance has been performed and is currently expected to be performed using internal resources.

In addition to Year 2000 implementation for the Company's internal systems and equipment, the Company is communicating with significant suppliers, vendors and other third parties with whom the Company has a business relationship in order to endeavor to determine their state of readiness with respect to Year 2000. Assessment of significant third party Year 2000 readiness is expected to be substantially completed in mid-1999. Failure of significant suppliers, vendors or other third parties to timely address and remedy Year 2000 problems or to develop and effect appropriate contingency plans could have a material adverse effect on the Company's business and operations. The Company believes that the geographically disbursed nature of its business and its large supplier and vendor base should minimize such potential adverse effects.

The Company presently believes that with modifications to existing software and conversions to new software for certain applications, the Year 2000 problem will not cause a significant disruption of its operations. However, the Year 2000 problem is unique and the Company's Year 2000 compliance program is based on various assumptions and expectations that cannot be assured. Potential risks include loss of electric power or certain communication links, failure of suppliers or vendors (or of entities which supply products, services or materials to them) to be Year 2000 ready, other disruptions to its business such as delayed deliveries from suppliers, as well as disruptions to the distribution channels, including ports, transportation services and the Company's own distribution center. The Company is in the process of developing a contingency plan, which is expected to be completed by approximately the third quarter of 1999 and will be based on its continuing assessment of potential risks.

The Company does not expect the costs associated with addressing Year 2000 issues (including internal personnel costs) to be material to the Company's financial condition or results of operations. Costs incurred to date have been expensed and were budgeted costs funded through operating cash flows. The costs associated with the completion of Year 2000 will be expensed as incurred and are not currently expected to have a material adverse impact on the Company's financial position or results of operations. The Company's cost estimates do not include costs associated with addressing and resolving issues as a result of the failure of third parties to be Year 2000 compliant.

Inflation and Seasonality

The Company does not believe that its operating results have been materially affected by inflation during the preceding three years. There can be no assurance, however, that the Company's operating results will not be affected by inflation in the future.

The Company's business is subject to substantial seasonal variations. Historically, the Company has realized a significant portion of its net sales and substantially all of its net income for the year during the third and fourth quarters. The Company's quarterly results of operations may also fluctuate significantly as a result of a variety of other factors, including the timing of new store openings. The Company believes this is the general pattern associated with its segment of the retail industry and expects this pattern will continue in the future. Consequently, comparisons between quarters are not necessarily meaningful and the results for any quarter are not necessarily indicative of future results.

Forward-Looking Statements

This Annual Report to Shareholders contains forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995. The statements are made a number of times throughout the document and may be identified by forward-looking terminology as "expect," "believe," "may," "will," "intend" or similar statements or variations of such terms. Such forward-looking statements involve certain risks and uncertainties including levels of sales, store traffic, acceptance of product offerings and fashions, competitive pressures from other home furnishings retailers, availability of suitable future store locations, schedule of store expansion plans and Year 2000 readiness issues relating to the Company's internal systems and those of third parties. These and other important factors that may cause actual results to differ materially from such forward-looking statements are included in the "Risk Factors" section of the Company's Registration Statement on Form S-1 as filed with the Securities and Exchange Commission on May 29, 1997, and may be contained in subsequent reports filed with the Securities and Exchange Commission. You are urged to consider such factors. The Company assumes no obligation for updating any such forward-looking statements.

Consolidated Statements of Operations (in thousands, except per share amounts)

Years ended December 31	1998	1997	1996
Net sales	$1,066,194	$874,224	$696,107
Cost of sales, including buying and warehousing costs	639,138	527,924	426,196
Gross profit	427,056	346,300	269,911
Selling, general and administrative expenses	365,068	300,793	239,228
Operating profit	61,988	45,507	30,683
Interest expense, net	83	1,013	4,692
Income before income taxes	61,905	44,494	25,991
Provision for income taxes	23,843	18,704	10,952
Net income	$ 38,062	$ 25,790	$ 15,039
Per share of common stock:			
Basic			
Net income	$ 0.98	$ 0.67	$ 0.39
Weighted average shares outstanding	38,895	38,578	38,536

Diluted			
Net income	$ 0.94	$ 0.65	$ 0.39
Weighted average shares outstanding	40,407	39,537	38,558

</TABLE>

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets (in thousands, except share amounts)

<TABLE>
<CAPTION>

December 31	1998	1997
<S>	<C>	<C>
Assets		
Current assets:		
Cash and cash equivalents	$ 42,638	$ 39,882
Accounts receivable, net	22,814	13,764
Inventories	271,389	223,188
Prepaid expenses and other current assets	18,567	13,058
Total current assets	355,408	289,892
Property and equipment, net	179,439	154,480
Goodwill, net of accumulated amortization of $6,514 in 1998 and $5,664 in 1997	20,676	21,526
Deferred charges and other noncurrent assets, net	5,321	6,201
Total assets	$560,844	$472,099
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$115,754	$ 98,418
Accrued expenses and other current liabilities	84,761	68,099
Total current liabilities	200,515	166,517
Deferred income taxes and other long-term liabilities	36,753	25,547
Shareholders' equity:		
Preferred stock, $0.01 par value; 1,000,000 shares authorized; none issued and outstanding	--	--
Common stock, $0.01 par value; 60,000,000 shares authorized; 39,091,281 issued and 39,037,948 outstanding at December 31, 1998 and 38,633,840 shares issued and outstanding at December 31, 1997	391	386
Additional paid-in capital	211,378	204,514
Retained earnings	113,197	75,135
Treasury stock, at cost, 53,333 shares at December 31, 1998	(1,390)	--
Total shareholders' equity	323,576	280,035
Total liabilities and shareholders' equity	$560,844	$472,099

</TABLE>

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

<TABLE>
<CAPTION>

	Common Stock		Additional			
	Shares	Amount	Paid-in Capital	Retained Earnings	Treasury Stock	Total
(in thousands, except number of shares)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 1995	200	$ --	$ 42,372	$ 34,306	$ --	$ 76,678
Net income	--	--	--	15,039	--	15,039

Capital contributions by CVS, net of assets and liabilities transferred.....	--	--	158,010	--	--	158,010
Conversion of common stock..................	38,535,316	386	(386)	--	--	--
Balance at December 31, 1996................	38,535,516	386	199,996	49,345	--	249,727
Net income..................................	--	--	--	25,790	--	25,790
Common stock exercised under stock incentive plans...........................	98,324	--	1,018	--	--	1,018
Capital contribution by CVS.................	--	--	3,500	--	--	3,500
Balance at December 31, 1997................	38,633,840	386	204,514	75,135	--	280,035
Net income..................................	--	--	--	38,062	--	38,062
Common stock exercised under stock incentive plans...........................	457,441	5	6,864	--	--	6,869
Purchase of treasury stock..................	(53,333)	--	--	--	(1,390)	(1,390)
Balance at December 31, 1998................	39,037,948	$ 391	$211,378	$113,197	$(1,390)	$323,576

</TABLE>

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows (in thousands)

<TABLE>
<CAPTION>

Years ended December 31	1998	1997	1996
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income..	$ 38,062	$ 25,790	$ 15,039
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization.....................	21,308	17,978	14,569
Deferred income taxes.............................	2,502	2,677	4,342
Loss on disposal of assets........................	1,560	2,912	2,400
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable......	(9,050)	3,620	(3,429)
Increase in inventories.........................	(48,201)	(21,054)	(25,241)
Increase in prepaid expenses and other current assets.............................	(4,814)	(690)	(957)
Decrease (increase) in deferred charges and other noncurrent assets.................	175	(577)	(329)
Increase in accounts payable....................	472	23,424	9
Increase in accrued expenses and other liabilities................................	25,671	21,078	13,836
Net cash provided by operating activities...........	27,685	75,158	20,239
Cash flows from investing activities:			
Additions to property and equipment.................	(46,272)	(35,355)	(46,429)
Cash flows from financing activities:			
Proceeds from common stock exercised under stock incentive plans............................	6,869	1,018	--
Purchase of treasury stock..........................	(1,390)	--	--
(Repayment) issuance of long-term note..............	--	(10,000)	13,500
Increase (decrease) in book overdrafts..............	15,864	(17,853)	(3,976)
Capital contributions by CVS........................	--	--	158,010
Decrease in due to related parties..................	--	--	(118,652)
Net cash provided by (used in) financing activities..	21,343	(26,835)	48,882
Net increase in cash and cash equivalents...........	2,756	12,968	22,692
Cash and cash equivalents at beginning of year......	39,882	26,914	4,222
Cash and cash equivalents at end of year..............	$ 42,638	$ 39,882	$ 26,914
Supplemental disclosure of cash flow information			
Cash paid during the year for:			
Interest (net of amounts capitalized)...............	$ 727	$ 1,630	$ 4,957
Income taxes..	$ 16,756	$ 4,377	$ 6,590

</TABLE>

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Business

Linens 'n Things, Inc. and subsidiaries (collectively the "Company") operated 196 stores, including 183 superstores, in 38 states across the United States as of December 31, 1998. The Company's stores emphasize a broad assortment of home textiles, housewares and home accessories, carrying both national brand and private label goods.

2. Initial Public Offering

The Company was a wholly-owned subsidiary of CVS Corporation ("CVS") until November 26, 1996, when CVS completed an initial public offering ("IPO") of 13,000,000 shares of the Company's common stock (on a pre-split basis). Subsequent to the IPO, CVS owned approximately 32.5% of the Company's common stock. During 1997, CVS sold its remaining shares of the Company's common stock.

3. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include those of Linens 'n Things, Inc. and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

Accounting Changes

Effective December 31, 1997, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings per Share" ("SFAS No. 128") which requires a dual presentation of earnings per share - basic and diluted. Basic earnings per share has been computed by dividing net income by the weighted average number of shares outstanding which were approximately 38,895,000 in 1998, 38,578,000 in 1997 and 38,536,000 in 1996. Diluted earnings per share has been computed by dividing net income by the weighted average number of shares outstanding including the dilutive effects of stock options and deferred stock grants. The total shares outstanding for the diluted earnings per share calculation were approximately 40,407,000 in 1998, 39,537,000 in 1997 and 38,558,000 in 1996.

Effective January 1, 1996, the Company adopted SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"). As permitted under SFAS No. 123, the Company elected not to adopt the fair value based method of accounting for its stock-based compensation plans, but will account for such compensation under the provisions of Accounting Principles Board Opinion No. 25 ("APB No. 25"). The Company has, however, complied with the disclosure requirements of SFAS No. 123.

Fair Value of Financial Instruments

SFAS No. 107, "Disclosures About Fair Value Of Financial Instruments," requires disclosure of the fair value of certain financial instruments. Cash and cash equivalents, accounts receivable, accounts payable and accrued expenses are reflected in the consolidated financial statements at carrying value which approximates fair value due to the short-term nature of these instruments. The carrying value of the Company's borrowings approximates the fair value based on the current rates available to the Company for similar instruments.

Cash and Cash Equivalents

The Company's cash management program utilizes controlled disbursement accounts. Accordingly, all book overdraft balances have been reclassified to current liabilities. Cash equivalents are considered, in general, to be those securities with maturities of three months or less when purchased.

Inventories

Inventories consist of finished goods merchandise purchased from domestic and foreign vendors and are carried at the lower of cost or market. Inventories are determined on the retail inventory method valued on a first-in, first-out (FIFO) basis.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets (40 years for building and 5 to 15 years for furniture, fixtures and equipment). Capitalized software costs are amortized on a straight-line basis over their estimated useful lives of 3 to 5 years, beginning in the year placed in service. Leasehold improvements are amortized over the shorter of the related lease term or the economic lives of the related assets. Fully depreciated property and equipment is removed from the asset and related accumulated depreciation accounts.

Maintenance and repairs are charged directly to expense as incurred. Major renewals or replacements are capitalized after making the necessary adjustments to the asset and accumulated depreciation accounts of the items renewed or replaced.

Impairment of Long-Lived Assets

When changes in circumstance warrant measurement, impairment losses for store fixed assets are calculated by comparing the present value of projected individual store cash flows over the lease term to the asset carrying values.

Deferred Charges

Deferred charges, principally beneficial leasehold costs, are amortized on a straight-line basis, generally over the remaining life of the leasehold acquired.

Goodwill

The excess of acquisition costs over the fair value of net assets acquired is amortized on a straight-line basis not to exceed 40 years. Impairment is assessed based on the profitability of the related business relative to planned levels.

Shareholders' Equity

On April 14, 1998, the Board of Directors of the Company approved a two-for-one split of its common stock to be effected in the form of a stock dividend. The stock dividend was one additional share of common stock for each outstanding share of common stock and was distributed on May 7, 1998 to shareholders of record on April 24, 1998. Unless otherwise stated, all references to common shares outstanding and income per share in the consolidated financial statements, notes to consolidated financial statements, and management's discussion and analysis of financial condition and results of operations are on a post-split basis.

Store Opening and Closing Costs

New store opening costs are charged to expense as incurred. In the event a store is closed before its lease has expired, the total lease obligation, less sublease rental income, is provided for in the year of closing.

Advertising Costs

The Company charges production costs of advertising to expense the first time the advertising takes place.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in statutory tax rates is recognized in income in the period that includes the enactment date.

The Company and CVS have entered into a tax disaffiliation agreement. Under the agreement, the Company is generally responsible for any of its tax with respect to periods prior to the IPO, determined as if on a separate company basis.

Use of Estimates in the Preparation of
Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications were made to the 1997 consolidated financial statements in order to conform to the 1998 presentation.

4. Accounts Receivable, Net

Accounts receivable, net, consisted of the following at December 31 (in thousands):	1998	1997
Credit and charge card receivables.....	$ 5,157	$ 4,299
Due from landlords and vendors.........	13,448	8,977
Other, net of allowance................	4,209	488
	$22,814	$13,764

5. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following at December 31 (in thousands):	1998	1997
Deferred income taxes..................	$ 9,353	$ 8,658
Other..................................	9,214	4,400
	$18,567	$13,058

6. Property and Equipment

Property and equipment consisted of the following at December 31 (in thousands):	1998	1997
Land................................	$ 430	$ 430
Building............................	4,760	4,760
Furniture, fixtures and equipment...	172,502	139,827
Leasehold improvements..............	59,745	53,311
Computer software...................	9,086	6,813
	246,523	205,141
Less accumulated depreciation and amortization....................	67,084	50,661
	$179,439	$154,480

7. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following at December 31 (in thousands):	1998	1997
Income taxes payable............	$13,754	$12,383
Other taxes payable.............	15,512	10,987
Salaries and employee benefits...	7,794	8,148
Other...........................	47,701	36,581
	$84,761	$68,099

8. Short-Term Borrowing Arrangements

The Company has available a three-year, $90 million senior revolving credit facility agreement (the "Credit Agreement") with third party institutional lenders expiring March 31, 2001. The amount of borrowings can be increased up to $125 million provided certain terms and conditions contained in the Credit Agreement are met. Interest on all borrowings is determined based upon several alternative rates as stipulated in the Credit Agreement. The Credit Agreement contains certain financial covenants, including those relating to the maintenance of a minimum tangible net worth, a minimum fixed charge coverage ratio, and a maximum leverage ratio, as defined in the Credit Agreement. As of December 31, 1998, the Company was in compliance with the terms of the Credit Agreement. The Credit Agreement also allows for up to $25 million in borrowings from uncommitted lines of credit outside of the Credit Agreement. As of December 31, 1998, the Company had no borrowings under the Credit Agreement or against the uncommitted lines of credit. The Company is not obligated under any formal or informal compensating balance requirements.

9. Long-Term Note

In conjunction with the IPO, the Company issued a four-year, $13.5 million subordinated note (the "Note") to CVS. The Note provided for forgiveness by CVS, at varying amounts, based upon the proceeds from any sales by CVS of the

Company's common stock together with the market value of any common stock which CVS continued to own at December 31, 1997. In May 1997, CVS sold shares of Company common stock representing substantially all of its holdings as part of a registered secondary offering. As a result of the net proceeds received by CVS, $3.5 million of the Note was forgiven and contributed as equity by CVS. In July 1997, the Company prepaid the remaining $10.0 million to CVS utilizing cash flows from operations. The Note contained no prepayment penalties. In 1997, the average borrowing rate for the Note through the date of repayment was 7.2%.

10. Deferred Income Taxes and Other Long-Term Liabilities

Deferred income taxes and other long-term liabilities consisted of the following at December 31 (in thousands):

	1998	1997
Deferred income taxes............	$18,566	$15,369
Other............................	18,187	10,178
	$36,753	$25,547

11. Leases

The Company has noncancelable operating leases, primarily for retail stores, which expire through 2022. The leases generally contain renewal options for periods ranging from 5 to 15 years and require the Company to pay costs such as real estate taxes and common area maintenance. Contingent rentals are paid based on a percentage of net sales. Net rental expense for all operating leases for the years ended December 31 was as follows (in thousands):

	1998	1997	1996
Minimum rentals.....	$83,881	$70,269	$53,264
Contingent rentals..	139	116	210
	84,020	70,385	53,474
Less sublease rentals	563	572	151
	$83,457	$69,813	$53,323

At December 31, 1998, the future minimum rental payments required under operating leases and the future minimum sublease rentals excluding lease obligations for closed stores were as follows (in thousands):

Year	
1999.....................................	$ 87,461
2000.....................................	88,162
2001.....................................	88,745
2002.....................................	89,298
2003.....................................	87,578
Thereafter...............................	807,861
	$1,249,105
Total future minimum sublease rentals.....	$ 4,837

In addition, as of February 3, 1999, the Company had fully executed leases for 29 stores planned to open in 1999.

12. Stock Incentive Plans

Concurrent with the IPO, the Company adopted the 1996 Incentive Compensation Plan (the "Plan"), which provides for the granting of options, deferred stock grants and other stock-based awards, up to a maximum of 4,624,264 shares of common stock, to key employees. The Company also adopted the 1996 Non-Employee Directors Stock Plan (the "Directors' Plan"), which provides for the granting of options and stock unit grants to non-employee directors ("eligible directors"), up to a maximum of 400,000 shares. The Company had reserved a total of 5,024,264 shares for issuance under these plans.

Stock options and grants under the Plan and the Directors' Plan are awarded at the fair market value of the shares at the date of grant. The right to exercise options generally commences one to five years after, and generally expires ten years after, the grant date, provided the optionee or eligible director continues to be employed by, or remains in service as director to, the Company.

Under the Directors' Plan, any person who becomes an eligible director currently receives an initial option grant to purchase 6,000 shares of common stock, and, at the date of each annual shareholders meeting thereafter, will receive an option grant to purchase 2,000 shares and a stock unit grant for 400 shares.

As of December 31, 1998, 197,665 deferred stock grants were outstanding under the Plan and the Directors' Plan. During 1998, 77,262 grants were released, 58,757 grants were awarded and 3,000 grants were canceled under the Plan and the Directors' Plan.

As of December 31, 1998, 2,921,633 stock options were outstanding under the Plan. During 1998, 839,708 options were granted, 378,611 options were exercised, 91,882 options were canceled and 702,066 options granted were exercisable at December 31, 1998. As of December 31, 1998, 60,200 stock options were outstanding under the Directors' Plan. During 1998, 14,000 options were granted, no stock options were exercised or canceled and 18,550 stock options were exercisable at December 31, 1998.

The following tables summarize information about stock option transactions for the Plan and the Directors' Plan:

	Number of Shares	Weighted-Average Exercise Price
Balance at IPO Date and December 31, 1996	2,016,660	$ 7.75
Options granted	763,382	$17.01
Options exercised	15,324	$ 7.75
Options canceled	166,100	$ 7.78
Balance at December 31, 1997	2,598,618	$10.47
Options granted	853,708	$30.31
Options exercised	378,611	$ 7.86
Options canceled	91,882	$12.56
Balance at December 31, 1998	2,981,833	$16.39
Options Exercisable as of:		
December 31, 1997	475,680	$ 7.75
December 31, 1998	720,616	$10.03

	Options Outstanding		
Range of Exercise Price	Outstanding as of December 31, 1998	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price
$7.75-$ 7.99	1,423,362	7.9 years	$ 7.75
$8.00-$11.99	28,850	8.2 years	$10.36
$12.00-$15.99	5,200	8.6 years	$14.11
$16.00-$19.99	673,213	8.9 years	$17.44
$20.00-$23.99	200	9.1 years	$20.23
$24.00-$27.99	65,633	5.6 years	$26.10
$28.00-$31.99	780,125	9.9 years	$30.65
$32.00-$35.99	5,000	9.4 years	$33.72
$36.00-$39.99	250	10.0 years	$39.97
Total	2,981,833	8.6 years	$16.39

	Options Exercisable	
Range of Exercise Price	Outstanding as of December 31, 1998	Weighted-Average Exercise Price
$7.75-$ 7.99	545,932	$ 7.75

$8.00-$11.99	6,650	$10.32
$12.00-$15.99	1,300	$14.11
$16.00-$19.99	166,734	$17.44
Total	720,616	$10.03

The fair value of each stock option grant is estimated on the date of grant using the Black-Scholes option-pricing model using the following assumptions for grants:

December 31	1998	1997	1996
Expected life (years)..........	4.5	5.0	5.0
Expected volatility...........	45.0%	45.0%	45.0%
Risk-free interest rate........	4.7%	5.7%	6.0%
Expected dividend yield........	0.0%	0.0%	0.0%

The Company applies APB No. 25 and related interpretations in accounting for its stock-based compensation plans. Accordingly, no compensation cost has been recognized in connection with these plans in the accompanying consolidated financial statements. Set forth below are the Company's net income and net income per share presented "as reported" and as if compensation cost had been recognized in accordance with the provisions of SFAS No. 123:

(in millions, except per share data)	1998	1997	1996
Net income:			
As reported......................	$38.1	$25.8	$15.0
Pro forma........................	$36.2	$24.9	$14.9
Net income per share of common stock:			
Basic:			
As reported......................	$0.98	$0.67	$0.39
Pro forma........................	$0.93	$0.65	$0.39
Diluted:			
As reported......................	$0.94	$0.65	$0.39
Pro forma........................	$0.89	$0.63	$0.39

The effects of applying SFAS No. 123 in this pro forma disclosure are not necessarily indicative of future amounts.

13. Employee Benefit Plans

On December 1, 1996, the Company adopted a 401(k) savings plan. All employees become eligible upon completion of twelve months of service within which 1,000 hours are worked, provided the employee is at least 21 years of age. Participants may contribute between 2% and 15% of annual earnings, subject to statutory limitations. Company contributions for the matching component amounted to approximately $1.7 million, $1.2 million and $0.3 million for the years ended December 31, 1998, 1997 and 1996, respectively.

14. Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities at December 31 were as follows (in thousands):

	1998	1997
Deferred tax assets:		
Employee benefits..........	$5,178	$5,346
Inventories................	5,222	4,920
Other......................	1,989	1,767
Total deferred tax assets.......	12,389	12,033
Deferred tax liabilities:		
Property and equipment.....	21,602	18,744
Net deferred tax liability......	$9,213	$6,711

Based on the Company's historical and current pretax earnings, management believes it is more likely than not that the Company will realize the deferred tax assets.

The provision for income taxes comprised the following for the years ended:

December 31 (in thousands):	1998	1997	1996
Current:			
Federal..........	$19,032	$12,102	$3,030
State............	2,399	3,472	1,106
	21,431	15,574	4,136
Deferred:			
Federal..........	2,148	2,416	5,484
State............	264	714	1,332
	2,412	3,130	6,816
Total	$23,843	$18,704	$10,952

The following is a reconciliation between the statutory Federal income tax rate and the effective rate for the years ended:

December 31	1998	1997	1996
Effective tax rate.........	38.5%	42.0%	42.1%
State income taxes, net of Federal benefit..........	(2.8)	(6.1)	(6.1)
Goodwill...................	(0.5)	(0.7)	(1.1)
Other......................	(0.2)	(0.2)	0.1
Statutory Federal income tax rate.................	35.0%	35.0%	35.0%

15. Related Party Transactions

Prior to the IPO, CVS provided financing and cash management for the Company, allocated certain costs to the Company for services provided, and charged the Company for costs related to participation in certain employee benefit programs. Such charges terminated upon the completion of the IPO and have been replaced by costs of the Company's own programs. If the Company had operated on a stand-alone basis for the year ended December 31, 1996, it would have incurred a net increase in expense of an estimated $755,000 pretax. The following is a summary of the amounts charged or allocated to the Company:

Administrative Costs

CVS allocated various administrative costs to the Company. Allocations were based on the Company's ratable share of costs incurred by CVS on behalf of the Company for the combined programs. The total costs allocated to the Company for the year ended December 31, 1996 was approximately $0.9 million.

In addition, CVS guarantees the leases of certain stores operated by the Company, and prior to the IPO, charged a fee for that service which amounted to approximately $0.3 million for the year ended December 31, 1996.

Borrowings

The weighted average interest rate on borrowings from CVS and other subsidiary divisions for the year ended December 31, 1996 was 6.2%. The related interest expense recognized by the Company on such borrowings was $4.6 million.

Employee Stock Ownership Plan

The Company's employees participated in CVS' Employee Stock Ownership Plan ("ESOP"). The ESOP was a defined contribution plan for all employees meeting certain eligibility requirements.

CVS charged compensation expense to the Company based upon total payments due to the ESOP. The charge allocated to the Company was based on the Company's proportionate share of qualifying compensation expense and did not reflect the manner in which CVS funded these costs or the related tax benefits realized by CVS. As a result of the Company's allocation from CVS, compensation expense of approximately $1.5 million was recognized for the year ended December 31, 1996.

These costs, with the exception of interest expense, are included in selling, general and administrative expenses in the Consolidated Statements of Operations.

16. Commitments and Contingencies

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity.

17. Summary of Quarterly Results (unaudited)

(in thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Net sales					
1998	$218,037	$222,094	$278,642	$347,421	$1,066,194
1997	179,911	185,723	225,239	283,351	874,224
Gross profit					
1998	83,330	88,876	111,192	143,658	427,056
1997	68,315	72,519	89,246	116,220	346,300
Net income					
1998	1,475	2,826	11,018	22,743	38,062
1997	352	990	7,532	16,916	25,790
Net income per share					
Basic(1)					
1998	$0.04	$0.07	$0.28	$0.58	$0.98
1997	0.01	0.03	0.20	0.44	0.67
Diluted(1)					
1998	$0.04	$0.07	$0.27	$0.56	$0.94
1997	0.01	0.03	0.19	0.42	0.65

(1) Net Income per share amounts for each quarter are required to be computed independently and may not equal the amount computed for the total year

18. Market Information

The Company's common stock is listed on the New York Stock Exchange. Its trading symbol is LIN. The Company has not paid a dividend on its common stock. The high and low trading price of the Company's common stock for each quarter of 1998 and 1997 is as follows:

For the Year Ended December 31, 1998	High	Low
First Quarter...........................	$28 1/2	$19 1/2
Second Quarter.......................	34 11/16	27 1/16
Third Quarter...........................	35 7/8	23
Fourth Quarter..........................	40 5/8	16 5/8

For the Year Ended December 31, 1997	High	Low
First Quarter...........................	$13	$ 8 3/4
Second Quarter..........................	14 5/8	9 1/8
Third Quarter...........................	18 1/8	13
Fourth Quarter..........................	22 1/4	15 5/16

At December 31, 1998, there were approximately 7,850 beneficial shareholders.

Management's Responsibility for Financial Reporting

The integrity and objectivity of the financial statements and related financial information in this report are the responsibility of the management of the Company. The financial statements have been prepared in conformity with generally accepted accounting principles and include, when necessary, the best estimates and judgments of management.

The Company maintains a system of internal accounting controls designed to provide reasonable assurance, at appropriate cost, that assets are safeguarded, transactions are executed in accordance with management's authorization, and the accounting records provide a reasonable basis for the preparation of the financial statements. The system of internal accounting controls is continually reviewed by management and improved and modified as necessary in response to changing business conditions and recommendations of the Company's independent auditors.

The Audit Committee of the Board of Directors, currently consisting solely of outside non-management directors, will meet periodically with management and the independent auditors to review matters relating to the Company's financial reporting, the adequacy of internal accounting controls and the scope and results of audit work. The independent auditors have free access to the Audit Committee.

KPMG LLP, certified public accountants, are engaged to audit the consolidated financial statements of the Company. Their Independent Auditors' Report, which is based on an audit made in conformity with generally accepted auditing standards, expresses an opinion as to the fair presentation of these financial statements.

/s/ Norman Axelrod

Norman Axelrod
Chairman, Chief Executive Officer and President

/s/ William T. Giles

William T. Giles
Vice President, Chief Financial Officer

February 3, 1999

Independent Auditors' Report

To the Board of Directors and Shareholders
Linens 'n Things, Inc.

We have audited the accompanying consolidated balance sheets of Linens 'n Things, Inc. and Subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Linens 'n Things, Inc. and Subsidiaries as of December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1998 in conformity with generally accepted accounting principles.

/s/ KPMG LLP

KPMG LLP

New York, New York
February 3, 1999

EXHIBIT 23a

Consent of Independent Auditors

The Board of Directors and Shareholders
Linens 'n Things, Inc.:

We consent to incorporation by reference in the Registration Statements Numbers 333-71903, 333-55803, 333-26827 and 333-26819 on Form S-8 of Linens 'n Things, Inc. and Subsidiaries of our report dated February 3, 1999, relating to the consolidated balance sheets of Linens 'n Things, Inc. and Subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1998, which report appears in the December 31, 1998 Annual Report on Form 10-K of Linens 'n Things, Inc.

/S/ KPMG LLP

KPMG LLP

New York, New York
March 25, 1999

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<OTHER-SE>		323,185
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<CGS>		639,138
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<INCOME-CONTINUING>		38,062
<DISCONTINUED>		0
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