

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1994-04-15** | Period of Report: **1994-01-27**
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FILER

LONGS DRUG STORES CORP

CIK: **764762** | IRS No.: **680048627** | State of Incorporation: **MD** | Fiscal Year End: **0131**
Type: **10-K** | Act: **34** | File No.: **001-08978** | Film No.: **94522926**
SIC: **5912** Drug stores and proprietary stores

Business Address
141 N CIVIC DR
WALNUT CREEK CA 94596
4159371170

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

/X/ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934 [FEE REQUIRED]

For the fiscal year ended January 27, 1994

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from to

Commission file number 1-8978

LONGS DRUG STORES CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

Maryland

68-0048627

(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

(I.R.S. EMPLOYER
IDENTIFICATION NO.)

141 North Civic Drive
Walnut Creek, California

94596

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

(ZIP Code)

Registrant's telephone number, including area code: (510) 937-1170

Securities registered pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS -----	NAME OF EACH EXCHANGE ON WHICH REGISTERED -----
------------------------------	---

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
 --- ---

The Exhibit Index is located on page 4 of this form.

(Cover page 1 of 2 pages)

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 as computed by the price of the registrant's shares on the New York Stock Exchange at the close of business on April 5, 1994, was approximately \$690,767,027.

There were 20,850,197 shares of common stock outstanding as of April 5, 1994.

DOCUMENTS INCORPORATED BY REFERENCE

The Longs Drug Stores Corporation Annual Report to Shareholders for the year ended January 27, 1994 (hereinafter referred to as the Annual Report), has been incorporated by reference into:

Part I - Items 1 and 2
 Part II - Items 5, 6, 7, and 8
 Part IV - Item 14(a)(1)

The definitive proxy statement filed April 5, 1994, involving the election of directors, has been incorporated by reference into Part III, Items 10, 11, 12, and 13.

PART I

ITEM 1. BUSINESS

The Company's business is highly competitive. It competes in the retail drug industry with local and national chains as well as with independent merchants. Merchandise of the kind sold by the Company can be found in variety stores, discount houses, supermarkets, and other retail facilities.

The remainder of the information required by this item is contained in the Annual Report under the headings "DESCRIPTION OF THE COMPANY" (page 12), "MANAGEMENT'S DISCUSSION AND ANALYSIS" (page 12), and "QUARTERLY FINANCIAL DATA (UNAUDITED) AND FIVE YEAR SELECTED FINANCIAL DATA" (page 19). Such information is hereby incorporated by reference and filed herewith.

ITEM 2. PROPERTIES

The information required by this item is contained in the Annual Report under the heading "DESCRIPTION OF THE COMPANY" (page 12). Such information is hereby incorporated by reference and filed herewith.

ITEM 3. LEGAL PROCEEDINGS

The Registrant is not a party to any material pending legal proceedings.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF STOCKHOLDERS

There were no matters submitted to a vote of stockholders during the fourth quarter period covered by this report.

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PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The information required by this item is contained in the Annual Report under the headings "STATEMENTS OF CONSOLIDATED STOCKHOLDERS' EQUITY" (page 16), "STOCKHOLDERS' EQUITY" (page 18), "QUARTERLY FINANCIAL DATA (UNAUDITED) AND FIVE

YEAR SELECTED FINANCIAL DATA" (page 19), and "STOCK LISTING" (page 20). Such information is hereby incorporated by reference and filed herewith.

ITEM 6. SELECTED FINANCIAL DATA

The information required by this item is contained in the Annual Report under the heading "MANAGEMENT'S DISCUSSION AND ANALYSIS" (page 12), and "QUARTERLY FINANCIAL DATA (UNAUDITED) AND FIVE YEAR SELECTED FINANCIAL DATA" (page 19). Such information is hereby incorporated by reference and filed herewith.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information required by this item is contained in the Annual Report under the headings "TO OUR SHAREHOLDERS" (pages 3, 4, 6, and 8) and "MANAGEMENT'S DISCUSSION AND ANALYSIS" (page 12). Such information is hereby incorporated by reference and filed herewith.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this item is contained in the Annual Report (pages 13 through 19). Such information is hereby incorporated by reference and filed herewith.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this item with respect to directors is contained in a definitive proxy statement filed April 5, 1994, with the Securities and Exchange Commission. Such information is hereby incorporated by reference. Certain information relating to executive officers of the Company appears at page 3 of this Form 10-K Annual Report.

Items 11, 12, and 13 are omitted since the Company filed on April 5, 1994, with the Securities and Exchange Commission a definitive proxy statement, involving the election of directors, for the Annual Meeting on May 17, 1994. Such information is hereby incorporated by reference.

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EXECUTIVE OFFICERS OF THE REGISTRANT

The following persons are now executive officers of the Company and the Board

of Directors intends to reappoint them to their current offices.

NAME	AGE	PRIMARY EXECUTIVE POSITION WITH REGISTRANT	EXECUTIVE OFFICER'S POSITION HELD SINCE (1) (2)
R. M. Long	55	Chairman of the Board Chief Executive Officer(3)	1991 1977
S. D. Roath	53	President(3)	1991
B. M. Brandon	55	Senior Vice President	1988
G. A. Duey	61	Senior Vice President	1988
O. D. Jones	55	Senior Vice President, Properties and Secretary	1975
R. A. Plomgren	60	Senior Vice President, Development(3)	1976
D. R. Wilson	52	Senior Vice President, Marketing	1988
W. G. Combs	63	Vice President, Administration, Corporate Relations(3)	1961
G. L. White	53	Vice President, Controller	1988

(1)Each officer is appointed for a one-year term.

(2)All of the executive officers of the Company have been employed by the Company for at least the past five years in executive capacities or in related areas of responsibility.

(3)Also serves as a Director of the Company.

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PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) (1) FINANCIAL STATEMENTS

The following financial statements and independent auditors' report appearing in the Annual Report, on pages 13 through 19, are incorporated herein by reference:

Statements of Consolidated Income for the fiscal years ended January 27, 1994, January 28, 1993 and January 30, 1992.

Consolidated Balance Sheets as of January 27, 1994 and January 28, 1993.

Statements of Consolidated Cash Flows for the fiscal years ended January 27, 1994, January 28, 1993, and January 30, 1992.

Statements of Consolidated Stockholders' Equity for the fiscal years ended January 27, 1994, January 28, 1993, and January 30, 1992.

Notes to Consolidated Financial Statements.

Independent Auditors' Report.

(a) (2) FINANCIAL STATEMENT SCHEDULES for the fiscal years ended January 27, 1994, January 28, 1993, and January 30, 1992.

	Page Number
Independent Auditors' Report on Financial Statement Schedules	9
Schedule Number	
V Property, Plant and Equipment.	10
VI Accumulated Depreciation of Property, Plant and Equipment.	11
X Supplementary Income Statement Information	12

(a) (3) EXHIBITS

Exhibit No.	Page Number
----------------	----------------

3. Articles of Incorporation and By-Laws

- a. A copy of the Articles of Incorporation and By-Laws of Longs Drug Stores Corporation is incorporated herein by reference as previously filed with the Commission on March 18, 1985, as Exhibit 3 to Form

Exhibit
Number:

Page
Number

10. Material Contracts

- a. A copy of the 1980 Employees' Stock Option Plan of Longs Drug Stores, Inc., is incorporated herein by reference as previously filed with the Commission on April 22, 1980, as Exhibit B to the Company's proxy statement.
- b. A copy of the 1975 Employees' Stock Option Plan of Longs Drug Stores, Inc., is incorporated herein by reference as previously filed with the Commission on April 23, 1976, as Exhibit 1B to Form S-8, Registration No. 2-56127.
- c. A copy of the Stock Option Agreement of Longs Drug Stores, Inc., dated February 8, 1980, is incorporated herein by reference as previously filed with the Commission on April 8, 1980, as Exhibit 2C to Post-Effective Amendment No. 3 to Form S-8, Registration No. 2-56127.
- d. A copy of the Stock Option Agreement of Longs Drug Stores, Inc., dated January 17, 1980, is incorporated herein by reference as previously filed with the Commission on April 8, 1980, as Exhibit 2B to Post-Effective Amendment No. 3 to Form S-8, Registration No. 2-56127.
- e. A copy of the Stock Option Agreement of Longs Drug Stores, Inc., dated April 29, 1977, is incorporated herein by reference as previously filed with the Commission on April 17, 1978, as Exhibit 2C to Post-Effective Amendment No. 2 to Form S-8, Registration No. 2-56127.
- f. A copy of the Amendment to the 1980 Employees' Stock Option Plan of Longs Drug Stores, Inc., is incorporated herein by reference as previously filed with the Commission on July 22, 1982, as Exhibit 19a to Form 8-K.
- g. A copy of the Amendments to Stock Option Agreements of Longs Drug Stores, Inc., dated April 29, 1977,

January 17, 1980, and February 8, 1980, is incorporated herein by reference as previously filed with the Commission on July 22, 1982, as Exhibit 19b to Form 8-K.

- h. A copy of the Amendments to the 1975 and 1980 Employees' Stock Option Plans of Longs Drug Stores, Inc., is incorporated herein by reference as previously filed with the Commission on May 8, 1985, on Form S-8, Registration No. 2-97578.
- i. Agreement for terminal benefits in the event of uninvited change in corporate control of Longs Drug Stores California, Inc., is incorporated herein by reference as previously filed with the Commission on April 28, 1986, as Exhibit 10f to Form 10-K.
- j. A copy of the Rights Agreement of Longs Drug Stores Corporation dated August 19, 1986, is incorporated herein by reference as previously filed with the Commission on August 21, 1986, as Exhibits 1 and 2 to Form 8-A.

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Exhibit
No.:

Page
Number

- k. A copy of the Long Term Incentive Plan of 1987 of Longs Drug Stores Corporation is incorporated herein by reference as previously filed with the Commission on March 13, 1987, on Form S-8, Registration No. 33-12653.
- l. A copy of the undertakings of Longs Drug Stores Corporation is incorporated herein by reference as previously filed with the Commission on April 10, 1987, into Form S-8, Registration No. 2-97578.
- m. A copy of the First Amendment to Rights Agreement of Longs Drug Stores Corporation dated November 15, 1988, is incorporated herein by reference as previously filed with the Commission on December 1, 1988, as Exhibit 1 to Form 8-K.
- n. A copy of the Note Purchase Agreement of Longs Drug Stores California, Inc., dated April 28, 1989, is incorporated herein by reference as previously filed with the Commission on April 18, 1990, as Exhibit 10n

to Form 10-K.

- o. A copy of the Proposal to acquire Bill's Drugs, Inc. is incorporated herein by reference as previously filed with the Commission on August 6, 1993, on Form S-4, Registration No. 033-49935.

13. Annual Report (Enclosed)

21. Subsidiary of the Registrant - Longs Drug Stores California, Inc., a California corporation.

23. Consents of Auditors and Counsel

a. Independent Auditors' Consent. 13

b. Consent of Counsel 14

(b) REPORTS ON FORM 8-K

There have been no reports on Form 8-K filed during the quarter ended January 27, 1994.

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.

LONGS DRUG STORES CORPORATION

(REGISTRANT)

Date April 15, 1994

/s/ G. W. White

Grover White
Vice President - Controller
(PRINCIPAL ACCOUNTING OFFICER)

Date April 15, 1994

/s/ W. G. Combs

W. G. Combs
Vice President - Administration
(PRINCIPAL FINANCIAL OFFICER)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been duly signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

DATE

SIGNATURE

April 15, 1994

By /s/ R. M. Long

(R. M. Long)
Chairman of the Board
Chief Executive Officer and Director

April 15, 1994

By /s/ S. D. Roath

(S. D. Roath)
President and Director

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April 15, 1994

By /s/ R. M. Brooks

(R. M. Brooks)
Director

April 15, 1994

By /s/ D. G. DeSchane

(D. G. DeSchane)
Director

April 15, 1994

By /s/ E. E. Johnston

(E. E. Johnston)
Director

April 15, 1994

By /s/ M. S. Metz

(M. S. Metz)
Director

April 15, 1994

By /s/ R. A. Plomgren

(R. A. Plomgren)
Senior Vice President - Development
and Director

April 15, 1994

By /s/ H. R. Somerset

(H. R. Somerset)
Director

April 15, 1994

By /s/ T. R. Sweeney

(T. R. Sweeney)
Retired Vice President
and Director

April 15, 1994

By /s/ F. E. Trotter

(F. E. Trotter)
Director

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Deloitte &
Touche

50 Fremont Street Telephone: (415) 247-4000
San Francisco, California 94105-2230 Facsimile: (415) 247-4329

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENT SCHEDULES

Board of Directors and Stockholders
Longs Drug Stores Corporation
Walnut Creek, California

We have audited the consolidated financial statements of Longs Drug Stores Corporation and its subsidiary as of January 27, 1994 and January 28, 1993, and

for each of the three fiscal years in the period ended January 27, 1994, and have issued our report thereon dated February 25, 1994; such financial statements and report are included in your 1994 Annual Report to Shareholders and are incorporated herein by reference. Our audits also comprehended the financial statement schedules of Longs Drug Stores Corporation and its subsidiary, listed in Item 14(a)(2). These financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information shown therein.

/s/ Deloitte & Touche

February 25, 1994

Deloitte Touche
Tohmatsu
International

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LONGS DRUG STORES CORPORATION
PROPERTY, PLANT AND EQUIPMENT

<TABLE>
<CAPTION>

SCHEDULE V

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F
	BALANCE AT			OTHER	BALANCE
	BEGINNING	ADDITIONS		ADD	AT
CLASSIFICATION	OF YEAR	AT COST (A)	RETIREMENTS	(DEDUCT) (B)	END OF YEAR

----- (Thousands) -----

<S>	<C>	<C>	<C>	<C>	<C>
For the Year Ended January 27, 1994:					
Land	\$ 70,348	\$ 3,979	\$ --	\$ 3,290	\$ 77,617
Buildings and leasehold improvements	257,278	26,163	924	4,354	286,871
Equipment and fixtures	203,476	31,163	6,106	--	228,533
Beverage licenses	6,930	435	404	--	6,961
	-----	-----	-----	-----	-----
TOTAL	\$538,032	\$ 61,740	\$ 7,434	\$ 7,644	\$599,982
	-----	-----	-----	-----	-----
	-----	-----	-----	-----	-----

For the Year Ended January 28, 1993:					
Land	\$ 66,758	\$ 5,770	\$ 2,180	\$ --	\$ 70,348
Buildings and leasehold improvements	242,718	18,520	3,960	--	257,278
Equipment and fixtures	179,011	30,793	6,328	--	203,476
Beverage licenses	6,860	301	231	--	6,930
	-----	-----	-----	-----	-----
TOTAL	\$495,347	\$ 55,384	\$ 12,699	\$ --	\$538,032
	-----	-----	-----	-----	-----
	-----	-----	-----	-----	-----

For the Year Ended January 30, 1992:					
Land	\$ 67,244	\$ 565	\$ 1,051	\$ --	\$ 66,758
Buildings and leasehold improvements	220,701	23,037	1,020	--	242,718
Equipment and fixtures	147,948	36,039	4,976	--	179,011
Beverage licenses	6,947	52	139	--	6,860
	-----	-----	-----	-----	-----
TOTAL	\$442,840	\$ 59,693	\$ 7,186	\$ --	\$495,347
	-----	-----	-----	-----	-----
	-----	-----	-----	-----	-----

<FN>

(A) Primarily cash expenditures for construction costs and equipment for new stores opened during the fiscal year, including systems development.

(B) During the year ended January 27, 1994, the assets of Bill's Drug Stores, Inc. were acquired in a stock transaction.

</TABLE>

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LONGS DRUG STORES CORPORATION
ACCUMULATED DEPRECIATION
OF
PROPERTY, PLANT AND EQUIPMENT

<TABLE>
<CAPTION>

SCHEDULE VI

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F
CLASSIFICATION	BALANCE AT BEGINNING OF YEAR	ADDITIONS CHARGED TO COSTS AND EXPENSES (A)	RETIREMENTS	OTHER ADD (DEDUCT)	BALANCE AT END OF YEAR

----- (Thousands) -----

<S>	<C>	<C>	<C>	<C>	<C>
For the Year Ended January 27, 1994:					
Buildings and leasehold improvements	\$ 67,439	\$ 10,154	\$ 37	\$ --	\$ 77,556
Equipment and fixtures	103,931	22,469	5,048	--	121,352
Beverage licenses	--	364	--	--	364
TOTAL	\$171,370	\$ 32,987	\$ 5,085	\$ --	\$199,272

For the Year Ended January 28, 1993:

Buildings and leasehold improvements	\$ 58,704	\$ 9,230	\$ 495	\$ --	\$ 67,439
Equipment and fixtures	89,626	19,199	4,894	--	103,931
	-----	-----	-----	-----	-----
TOTAL	\$148,330	\$ 28,429	\$ 5,389	\$ --	\$171,370
	-----	-----	-----	-----	-----
	-----	-----	-----	-----	-----

For the Year Ended
January 30, 1992:

Buildings and leasehold improvements	\$ 51,427	\$ 7,834	\$ 557	\$ --	\$ 58,704
Equipment and fixtures	78,212	15,437	4,023	--	89,626
	-----	-----	-----	-----	-----
TOTAL	\$129,639	\$23,271	\$ 4,580	\$ --	\$148,330
	-----	-----	-----	-----	-----
	-----	-----	-----	-----	-----

<FN>

(A) Depreciation is calculated using the straight-line method and estimated useful lives of twenty to thirty-three years for buildings, life of the lease for leasehold improvements, and three to twenty years for equipment and fixtures.

</TABLE>

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LONGS DRUG STORES CORPORATION
SUPPLEMENTARY INCOME STATEMENT INFORMATION

<TABLE>
<CAPTION>

SCHEDULE X

COLUMN A

COLUMN B

<S>	<C>

FOR THE YEAR ENDED JANUARY 27, 1994:	
Advertising	\$20,589

For the Year Ended January 28, 1993:	
Advertising	\$17,488

For the Year Ended January 30, 1992:	
Advertising	\$20,555

</TABLE>

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Deloitte &
Touche

50 Fremont Street	Telephone: (415) 247-4000
San Francisco, California 94105-2230	Facsimile: (415) 247-4329

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statements No. 2-97578 and 33-12653 of Longs Drug Stores Corporation on Form S-8 of our reports dated February 25, 1994 appearing in and incorporated by reference in this Annual Report on Form 10-K of Longs Drug Stores Corporation for the year ended January 27, 1994.

/s/ Deloitte & Touche

April 11, 1994

Deloitte Touche
Tohmatu
International

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LAW OFFICES

Howard H. Bell
Robert Rosenberg*
Roger M. Hughes
James C. Nelson
Catherine M. Fisher
John H. Banister
Roland Nikles
Teresa Jenkins Main
Howard G. Curtis
Jennifer M. V. Bergstrom
Joseph A. Creitz

BELL, ROSENBERG & HUGHES
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*Certified Specialist-Probate,
Estate Planning & Trust Law
The State Bar of California
Board of Legal Specialization

March 21, 1994

Longs Drug Stores Corporation
P.O. Box 5222
Walnut Creek, CA 94596

Gentlemen:

We hereby consent to the use in the Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, and amendments thereto, of Longs Drug Stores Corporation (the Company), on Form 10-K, of

- (a) our opinion dated May 7, 1985 to the Company's Registration Statement on Form S-8 (Number 2-97578), under the Securities Act of 1933, as amended, covering 474,576 shares of the Company's Common Stock to be issued upon exercise of options granted under the Company's 1975 Employees' Stock Option Plan and 1980 Employees' Stock Option Plan.
- (b) our opinion dated April 2, 1985 to the Company's Registration Statement on Form S-14 (Number 2-96486) under the Securities Act of 1933, as amended, covering 21,900,000 shares of the Company's Common Stock.
- (c) our opinion dated March 5, 1987 to the Company's Registration Statement on Form S-8 (Number 33-12653), under the Securities Act of 1933, as amended, covering 400,000 shares of the Company's Common Stock to be issued upon exercise of awards under the Company's Long Term Incentive Plan of 1987.

Yours very truly,

BELL, ROSENBERG & HUGHES

/s/ Howard H. Bell

Howard H. Bell

LONGS DRUGS

WORKING TOGETHER FOR A HEALTHY COMMUNITY

[Photograph]

1994 ANNUAL REPORT

LONGS - 55 YEARS OF COMMUNITY INVOLVEMENT

[Photograph]

OUR FOUNDER'S LEGACY

When a business is created, it begins with an idea. Joe and Tom Long's idea when they started Longs in 1938, was to open a general store, put a pharmacy in it, and be among the first to offer self-service. They combined neighborly convenience and value with the philosophy of "TREAT THE CUSTOMER AS YOU WOULD LIKE TO BE TREATED."

These are good ideas, and they serve Longs well today; but the legacy left by Tom and Joe involves much more. In 55 years they built a debt free business that produces more than two billion dollars in annual sales. They established a decentralized retail organization before empowerment and autonomy were fashionable.

Over the years Joe and Tom impressed their philosophy upon the minds of those who run the business today. Some of the cardinal tenets of that philosophy include: "BE SURE TO OFFER THE CUSTOMER VALUE." "EACH STORE SHOULD SERVE IT'S OWN CUSTOMERS." "WORK HARD." "THE ONLY WAY TO MAKE MONEY IS TO SHARE IT." "WE VIEW OUR STORE MANAGERS AS ENTREPRENEURS." "YOU CAN'T SELL FROM AN EMPTY WAGON." "OUR STORES MUST BE BRIGHT AND CLEAN." "DARE TO BE DIFFERENT; STRIVE TO IMPROVE."

Our founder's legacy can be seen in our people and in our commitment to the communities that we serve. Their legacy also lives in the financial strength of our company, and in the fertile environment that Joe and Tom nurtured which offers a wealth of opportunity to us all. We will not forget.

FINANCIAL HIGHLIGHTS

<TABLE>

<CAPTION>

(THOUSANDS EXCEPT PER SHARE DATA)	1994	1993
<S>	<C>	<C>
SALES	\$2,499,224	\$2,475,475
NET INCOME	52,782	52,993
PER SHARE	2.56	2.58
DIVIDENDS	22,990	22,812
PER SHARE	1.12	1.11
STOCKHOLDERS' EQUITY	499,607	458,211
PER SHARE*	23.92	22.07
WORKING CAPITAL	143,981	136,676

<FN>

* BASED ON STOCKHOLDERS' EQUITY EXCLUDING COMMON STOCK CONTRIBUTION TO PROFIT SHARING PLAN.

</TABLE>

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TO OUR SHAREHOLDERS

We believe that we will look back upon fiscal 1994 in the years to come as the time during which we achieved a new sense of focus and direction. As a result of

that focus, we have made significant progress and initiated important changes in our operations.

MILESTONES ACHIEVED

[Photograph]

This past year your company reached several milestones in a challenging business environment.

- - We added a record number of stores, including the acquisition of a small drug chain.
- - We refined our "store within a store" concept with new merchandising strategies, fixtures, and layouts.
- - We realigned district boundaries and enhanced our executive ranks with a few new faces and fresh ideas.
- - We performed well in highly competitive and recessionary circumstances.
- - We defined our mission and outlined our plans for the future.

The details that surround these milestones illustrate why fiscal 1994 will prove to be pivotal for your company.

RECORD EXPANSION

[Photograph]

We added an unprecedented 31 stores to our roster this fiscal year. In September we purchased Bill's Drugs, a northern California chain of 20 stores. In addition, we opened seven traditional Longs stores, four Longs Pharmacies and relocated two stores. As of March 29, 1994, Longs operates 308 stores in five western states.

Along with the acquisition of Bill's came new customers, new employees, and fresh ideas that have energized our Longs family and enhanced our stores.

The four Longs Pharmacies opened during the year are a part of our growing small store program. A Longs Pharmacy is smaller than our typical 15,000 to 25,000 square foot store, and usually does not stock all the categories found in our larger stores. We are gratified by the growth and the strength of this smaller store format. Longs Pharmacies provide entry into markets that would otherwise be denied us. Longs currently operates a total of 15 such pharmacies.

EVOLVING ROLE OF PHARMACY

The pharmacy is central to our business. Significant and ongoing changes in health care affect how we conduct that business. The growing national debate about the delivery and cost of health care, new regulatory requirements such as mandatory consultation on all new prescriptions, and the growing presence of third party payors compels us to

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further strengthen our pharmacy operation and practices.

This year we placed Diabetes Centers in all of our stores to help underscore the growing presence of the pharmacy in the delivery of health care. Stronger links are being forged with service organizations such as the American Diabetes Association and the American Heart Association to assist in their efforts to improve the health of our communities.

LONGS FOR A HEALTHY COMMUNITY

[Photograph]

Longs stores and our corporate organization alike are involved in many community-directed initiatives. This past year we organized the 11th Annual Senior Citizens Thank-you Party in Reno; inoculated thousands of customers against the flu in our stores, and distributed thousands of gallons of drinking water and other emergency supplies to victims of the Los Angeles earthquake. All of these projects and many more are all part of LONGS FOR A HEALTHY COMMUNITY.

Community service projects, like the ones just described, illustrate the essence of Longs service agenda. LONGS FOR A HEALTHY COMMUNITY is more than a slogan, it describes how we view our business.

[Photograph]

The roll-out of our scanning project is 90% complete as of March 1994. We are now entering a phase that will focus on systems specifically designed to increase profitability, identify new business opportunities, and much more.

We are starting to reap the benefits of this significant investment. Faster and easier sales tracking, excess inventory reports, and ability to easily coordinate pricing in groups of stores are just three ways that our information system improves our operation.

Much of the success of this new system is due to the outstanding efforts of our MIS Department headed by Brian Kilcourse who was promoted to Chief Information Officer last summer.

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[Photograph]

5

EXECUTIVE CHANGES

Other changes were made in our executive ranks. These changes were prompted by the retirement of some district managers, the reassignment of others, and the realignment of some of our store districts.

Over the past six months seven new district managers have been appointed. All of our new District Managers have many years of experience as Longs store managers. They are effective leaders and are recognized retail experts who know how to make a store profitable.

Terry Burnside, who joins us as Merchandise Manager, served as Vice President of Operations at Bill's Drugs prior to coming to Longs. Terry brings considerable marketing and retail experience to his position.

[Photograph]

PEOPLE

We recognize that it is our people who will provide the real differentiation in the marketplace of the 90s. Fortunately, we have a strong existing base of educated and skilled people in our stores, and we have ongoing, developmental programs on line to ensure we retain this competitive edge.

Our strong family culture and the commitment of our people to excellence in service make a profound contribution to our success. The recent earthquake disaster in Southern California again brought this fact into sharp focus. Senior Vice President Bill Brandon recently said, "The quick response and hard work of our people following the quake kept our losses to a minimum!"

[Photograph]

LONGS PERFORMANCE

The economic climate this past year yielded some solid results, especially when compared to other retailers in our markets. Our stores performed particularly well in the fourth quarter which saw growth in both sales and earnings compared to last year. We achieved these positive results in spite of one-time costs associated with the Los Angeles earthquake and the acquisition of 20 Bill's Drug Stores.

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[PHOTOGRAPH]

7

MISSION AND STRATEGY

Over the past year we outlined your company's mission and identified the principle elements of our plan. Those elements include:

- - Reducing overall operating costs
- - Changing the role of our Marketing Department to reduce acquisition costs
- - Enhancing our growth strategy for the pharmacy
- - Further development of retail technology
- - Exploring additional growth opportunities

We assigned responsibility for each of those elements to a senior member of management, and we are pleased to report that significant progress has already been achieved.

[PHOTO]

THE YEAR AHEAD

The year ahead holds much promise for your company. Benefits from our scanning system are now beginning to be achieved. Our executive ranks have been enlivened through recent appointments, and with all management committed to our plan, we anticipate significant progress.

We believe that Longs is poised for a new era of innovation and development that honors the legacy left to us by our founders. We are confident that through partnering with suppliers, the dedication of our people and the ongoing support of you, our shareholders, we will realize the positive outcome that we all seek.

/s/ S.D. Roath
S.D. Roath
PRESIDENT

/s/ R.M. Long
R.M. Long
CHIEF EXECUTIVE OFFICER

Walnut Creek, California, March 29, 1994

8

[PHOTOGRAPH]

9

NEW STORES INCREASE OUR SALES BASE

[PHOTOGRAPH]

10

BILL'S DRUGS JOINS OUR FAMILY

[PHOTOGRAPH]

DESCRIPTION OF THE COMPANY

Longs Drug Stores has operated exclusively in the retail drug industry for over 55 years. By the end of January 1994, store count had grown to 305, including 267 stores in California, 24 in Hawaii, 6 each in Colorado and Nevada, and 2 in Alaska.

Total retail sales square footage increased 8% to 4.9 million square feet during 1994. Although our stores vary in size, the average store opened in the last five years is approximately 20,000 square feet, with 67% devoted to selling space. Sales per store averaged \$9.0 million for fiscal 1994.

The Company's decentralized philosophy allows store managers to enhance the product mix of their store based on customer preferences in the communities they serve. Longs sells nationally advertised name-brand merchandise. Customers are

provided additional value with other items sold under Longs private label.

Longs General Offices provide accounting, personnel, real estate, and legal services to the stores in addition to acting as a communications center for information on marketing and merchandising. The General Offices and 117 stores are Company-owned buildings on Company-owned land; 42 stores are Company owned buildings on leased land; and 146 stores are totally leased.

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Sales for fiscal year 1994 increased 1% over fiscal year 1993, which increased 5% over fiscal year 1992. Sales in stores acquired from Bill's Drugs, Inc. totaled \$28.6 million for 1994. The Company estimates that 2% of sales in fiscal 1994, 3% in 1993, and 3% in 1992 were attributable to inflation.

Pharmacy continues as the focal point of our business, accounting for 28.7% of sales in 1994 as compared to 27.0% in 1993 and 25.2% in 1992. Photo, Cosmetics, and Greeting Cards are other core categories complementing our business.

The Company's gross margin improved to 25.5% in 1994, compared to 24.7% in 1993, and 24.9% in 1992. Stronger margins in 1994 resulted from our pricing and product acquisition strategies which utilize information gathered through our new Scanning Project.

Operating, administrative, and occupancy expenses as a percentage of sales were 22.2% in 1994, 21.2% in 1993, and 21.1% in 1992. Costs were in line with our expectations. The roll-out of the Scanning Project and the addition of 31 new stores have increased expenses, while the sluggish California economy and stiff competition have continued to restrain sales growth. Expenses, as a result, increased as a percentage of sales.

The acquisition of Bill's Drugs, Inc. was made with the issuance of approximately \$10.3 million in Longs common stock and the assumption of approximately \$13.6 million in liabilities.

Adoption in 1994 of mandated rules (SFAS 109) relating to income taxes resulted in a one-time increase in earnings of \$3.0 million. The Omnibus Budget Reconciliation Act of 1993 increased the federal statutory rate from 34 percent to 35 percent, resulting in additional income tax expense of \$1.2 million, including \$376 thousand to revalue existing deferred liabilities to reflect the increased rate.

During 1994 the Company repurchased 213 thousand shares of its common stock at market values totaling \$7.1 million.

FINANCIAL CONDITION OF THE COMPANY

Net cash provided by operations in 1994 was \$114.2 million, compared with \$71.1 million in 1993, and \$83.6 million in 1992. Improvement was primarily the result of lower store inventories achieved through better inventory management, a benefit of the Scanning Project. Expenditures for new store construction, store remodels, the Scanning Project, dividends, and stock repurchases have been and will continue to be funded from operations and cash reserves. To maintain desired working capital the Company utilizes short-term lines of credit available from several banks.

The Company has invested \$62.4 million in capital expenditures for 1994, \$55.4 million for 1993, and \$59.7 million for 1992, including \$7.5 million, \$11.8 million, and \$18.3 million in each of these years relating to the rollout of the Scanning Project.

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<TABLE>
<CAPTION>
STATEMENTS OF CONSOLIDATED INCOME

	FOR THE FISCAL YEARS ENDED		
	January 27 1994	January 28 1993	January 30 1992
	-----THOUSANDS EXCEPT PER SHARE-----		
<S>	<C>	<C>	<C>
SALES	\$2,499,224	\$2,475,475	\$2,365,916
COST AND EXPENSES:			
Cost of merchandise sold	1,863,092	1,863,172	1,775,927
Operating and administrative	439,004	423,959	406,579
Occupancy	114,877	100,851	92,131

INCOME BEFORE TAXES ON INCOME	82,251	87,493	91,279
TAXES ON INCOME	32,500	34,500	35,900

INCOME BEFORE CUMULATIVE			
EFFECT OF ACCOUNTING CHANGE	49,751	52,993	55,379
CUMULATIVE EFFECT OF ACCOUNTING CHANGE	3,031	--	--

NET INCOME	\$ 52,782	\$ 52,993	\$ 55,379

PER COMMON SHARE:			
Income Before Cumulative Effect of Accounting Change	\$2.41	\$2.58	\$2.71
Cumulative Effect of Accounting Change	.15	--	--

NET INCOME	\$2.56	\$2.58	\$2.71
DIVIDENDS	\$1.12	\$1.11	\$1.07
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	20,592	20,538	20,417

</TABLE>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

INDEPENDENT AUDITORS' REPORT

LONGS DRUG STORES CORPORATION:

WE HAVE AUDITED THE ACCOMPANYING CONSOLIDATED BALANCE SHEETS OF LONGS DRUG STORES CORPORATION AND ITS SUBSIDIARY AS OF JANUARY 27, 1994 AND JANUARY 28, 1993, AND THE RELATED STATEMENTS OF CONSOLIDATED INCOME, CONSOLIDATED STOCKHOLDERS' EQUITY AND CONSOLIDATED CASH FLOWS FOR EACH OF THE THREE FISCAL YEARS IN THE PERIOD ENDED JANUARY 27, 1994. THESE FINANCIAL STATEMENTS ARE THE RESPONSIBILITY OF THE COMPANY'S MANAGEMENT. OUR RESPONSIBILITY IS TO EXPRESS AN OPINION ON THESE 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, SUCH CONSOLIDATED FINANCIAL STATEMENTS PRESENT FAIRLY, IN ALL MATERIAL RESPECTS, THE FINANCIAL POSITION OF THE COMPANIES AT JANUARY 27, 1994 AND JANUARY 28, 1993, AND THE RESULTS OF THEIR OPERATIONS AND THEIR CASH FLOWS FOR EACH OF THE THREE FISCAL YEARS IN THE PERIOD ENDED JANUARY 27, 1994 IN CONFORMITY WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.

AS DISCUSSED IN THE NOTE TO THE FINANCIAL STATEMENTS ENTITLED "TAXES ON INCOME", THE COMPANY CHANGED ITS METHOD OF ACCOUNTING FOR INCOME TAXES EFFECTIVE JANUARY 29, 1993 TO CONFORM WITH STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 109.

/s/ Deloitte & Touche
DELOITTE & TOUCHE
SAN FRANCISCO, CALIFORNIA
FEBRUARY 25, 1994

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<TABLE>

<CAPTION>

CONSOLIDATED BALANCE SHEETS

	JANUARY 27 1994	JANUARY 28 1993
	-----THOUSANDS-----	
<S>	<C>	<C>
ASSETS		
CURRENT ASSETS:		
Cash and equivalents	\$ 42,512	\$ 33,070
Pharmacy and other receivables	50,639	40,488
Merchandise inventories	280,524	273,933
Deferred income taxes	14,270	10,070
Other	2,537	1,967

TOTAL CURRENT ASSETS	390,482	359,528
PROPERTY:		
Land	77,617	70,348
Buildings and leasehold improvements	286,871	257,278
Equipment and fixtures	228,533	203,476
Beverage licenses	6,961	6,930
Total property - at cost	599,982	538,032
Less accumulated depreciation	199,272	171,370
PROPERTY - NET	400,710	366,662
OTHER NON-CURRENT ASSETS	3,612	--
TOTAL	\$794,804	\$726,190
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$142,578	\$121,983
Short-term borrowings	--	10,000
Employee compensation and benefits	52,065	48,999
Taxes payable	23,179	22,723
Current portion of guarantee	1,841	1,694
Other	26,838	17,453
TOTAL CURRENT LIABILITIES	246,501	222,852
GUARANTEE OF PROFIT SHARING PLAN DEBT	13,821	16,251
DEFERRED INCOME TAXES	34,875	28,876
STOCKHOLDERS' EQUITY:		
Common stock (20,654,000 and 20,413,000 shares outstanding)	10,327	10,207
Additional capital	104,518	93,697
Common stock contribution to Profit Sharing Plan	5,530	4,775
Guarantee of Profit Sharing Plan debt	(15,662)	(17,945)
Retained earnings	394,894	367,477
TOTAL STOCKHOLDERS' EQUITY	499,607	458,211
TOTAL	\$794,804	\$726,190

</TABLE>
SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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<TABLE>
<CAPTION>
STATEMENTS OF CONSOLIDATED CASH FLOWS

	FOR THE FISCAL YEARS ENDED		
	January 27 1994	January 28 1993	January 30 1992
	-----THOUSANDS-----		
<S>	<C>	<C>	<C>
OPERATING ACTIVITIES:			
Receipts from customers	\$2,490,558	\$2,472,834	\$2,367,643
Payments for merchandise	(1,840,876)	(1,883,001)	(1,798,042)
Payments for operating, administrative, and occupancy expenses	(503,891)	(483,319)	(447,778)
Income tax payments	(31,628)	(35,366)	(38,227)
Net cash provided by operating activities	114,163	71,148	83,596
INVESTING ACTIVITIES:			
Payments for property additions	(62,402)	(55,384)	(59,693)
Receipts from property dispositions	2,349	7,310	2,606
Net cash used in investing activities	(60,053)	(48,074)	(57,087)
FINANCING ACTIVITIES:			
Proceeds from (repayment of) short-term borrowings	(10,000)	10,000	(12,000)
Repayment of debt assumed from Bill's Drugs, Inc.	(4,613)	--	--
Proceeds from sale of common stock to Profit Sharing Plan	--	357	859
Repurchase of common stock	(7,065)	(6,004)	--
Dividend payments	(22,990)	(22,812)	(21,858)
Net cash used in financing activities	(44,668)	(18,459)	(32,999)

INCREASE (DECREASE) IN CASH AND EQUIVALENTS	9,442	4,615	(6,490)
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	33,070	28,455	34,945
CASH AND EQUIVALENTS AT END OF YEAR	\$ 42,512	\$ 33,070	\$ 28,455
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Net income	\$ 52,782	\$ 52,993	\$ 55,379
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	33,241	28,429	23,271
Deferred income taxes	2,857	(1,519)	763
Restricted stock awards	1,350	1,993	1,936
Common stock contribution to benefit plans	5,530	4,775	4,120
Tax benefits credited to Stockholders' equity	(324)	1,394	1,591
Cumulative effect of accounting change	3,031	--	--
Changes in assets and liabilities net of effects from acquisition of Bill's Drugs, Inc.:			
Pharmacy and other receivables	(8,868)	(3,663)	3,392
Merchandise inventories	4,586	(5,625)	(17,134)
Other current assets	(433)	803	163
Current liabilities	20,411	(8,432)	10,115
Net cash provided by operating activities	\$ 114,163	\$ 71,148	\$ 83,596

</TABLE>
SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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STATEMENTS OF CONSOLIDATED STOCKHOLDERS' EQUITY

(THOUSANDS)	Common Stock		Additional Capital	Profit Sharing Plan Contributions	Guarantee of Profit Sharing Plan Debt	Retained Earnings	Total Stockholders' Equity
	Shares	Amount					
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE AT JANUARY 31, 1991	20,170	\$10,085	\$ 73,774	\$8,410	(\$21,980)	\$308,964	\$379,253
Net income						55,379	55,379
Dividends (\$1.07 per share)						(21,858)	(21,858)
Profit Sharing Plan:							
Issuance of stock for FY91 contribution	231	116	8,294	(8,410)			0
Stock portion of FY92 contribution				4,120			4,120
Sale of stock to plan	19	10	849				859
Reduction of plan debt					1,934		1,934
Restricted stock awards	21	10	1,926				1,936
Tax benefits related to employee stock plans			1,591				1,591
BALANCE AT JANUARY 30, 1992	20,441	10,221	86,434	4,120	(20,046)	342,485	423,214
Net income						52,993	52,993
Dividends (\$1.11 per share)						(22,812)	(22,812)
Profit Sharing Plan:							
Issuance of stock for FY92 contribution	117	59	4,261	(4,120)			200
Stock portion of FY93 contribution				4,775			4,775
Sale of stock to plan	10	5	352				357
Reduction of plan debt					2,101		2,101
Restricted stock awards	18	9	1,984				1,993
Tax benefits related to employee stock plans			1,394				1,394
Repurchase of common stock	(173)	(87)	(728)			(5,189)	(6,004)
BALANCE AT JANUARY 28, 1993	20,413	10,207	93,697	4,775	(17,945)	367,477	458,211
Net income						52,782	52,782
Dividends (\$1.12 per share)						(22,990)	(22,990)
Profit Sharing Plan:							
Issuance of stock for FY93 contributions	132	66	4,709	(4,775)			0
Stock portion of FY94 contribution				5,530			5,530
Purchase of stock from plan	(121)	(60)	(3,965)				(4,025)
Reduction of plan debt					2,283		2,283
Restricted stock awards	5	1	1,349				1,350
Tax benefits related to employee stock plans			(512)			188	(324)
Repurchase of common stock	(92)	(46)	(431)			(2,563)	(3,040)
Acquisition of Bill's Drugs, Inc.:							
Stock issued	317	159	10,184				10,343
Related costs			(513)				(513)
BALANCE AT JANUARY 27, 1994	20,654	\$10,327	\$104,518	\$5,530	(\$15,662)	\$394,894	\$499,607

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES

THE CONSOLIDATED FINANCIAL STATEMENTS include Longs Drug Stores Corporation and Longs Drug Stores California, Inc., its wholly-owned subsidiary. All inter-company accounts and transactions have been eliminated.

FISCAL YEARS end the last Thursday of January. Certain reclassifications have been made to the fiscal 1993 and 1992 financial statements in order to conform to fiscal 1994 presentation.

CASH AND EQUIVALENTS include all highly liquid investments with maturities of three months or less.

MERCHANDISE INVENTORIES are valued using the last-in, first-out (LIFO) method. The excess of specific cost over LIFO values was \$126.0 and \$119.5 million at the 1994 and 1993 year ends.

ACCOUNTS PAYABLE includes \$18.4 million and \$17.0 million of outstanding checks at year end 1994 and 1993. This classification was adopted in 1994 and reported "Net cash provided by operating activities" was increased by \$.5 million in 1993 and decreased by \$8.8 million in 1992.

PROPERTY is depreciated using the straight-line method and estimated useful lives of twenty to thirty-three years for buildings, life of the lease for leasehold improvements, and three to twenty years for equipment and fixtures. Software development costs associated with the Scanning Project are amortized over estimated useful lives of eight years. Maintenance and repairs are charged to expense as incurred and major improvements are capitalized.

OTHER NON-CURRENT ASSETS consist of pharmacy files and goodwill (resulting from Bill's acquisition) and are amortized under a straight line method over estimated useful lives of five to ten years.

NEW STORE OPENING COSTS, primarily labor to stock shelves, pre-opening advertising and store supplies, are charged to expense as incurred.

INCOME TAXES - In 1994, the Company adopted Statement of Financial Accounting Standards No. 109 - "Accounting for Income Taxes" (SFAS 109) which requires the use of the liability method of accounting for deferred income taxes. Deferred income taxes are recorded based upon the differences between the financial statement and tax basis of assets and liabilities.

EARNINGS PER COMMON SHARE are calculated by dividing net income by the weighted average number of shares outstanding.

LEASES AND OTHER OBLIGATIONS

A significant portion of store properties are leased, having original terms ranging from ten to twenty-five years with renewal options covering approximately twenty additional years in five-year to ten-year increments. Leases provide for minimum annual rent with provisions for additional rent based on a percentage of sales. Lease rentals for 1994, 1993, and 1992 were \$26.5, \$24.5, and \$23.1 million, of which \$19.5, \$17.3, and \$16.4 million represent minimum payments.

Total minimum rental commitments for noncancelable leases in effect at the 1994 year end were \$22.9, \$23.3, \$23.0, \$22.8, and \$22.8 million for fiscal years 1995 through 1999, and \$237.9 million thereafter.

Construction commitments outstanding at January 27, 1994 totaled \$4,595,000. These are expected to be completed in fiscal year 1995.

On January 27, 1994, the Company had an unsecured revolving line of credit of \$20 million with prevailing interest rates. The line of credit expired January 31, 1994 and was renewed for \$30 million expiring June 30, 1996. There was \$19 million available for use at January 27, 1994.

EMPLOYEE COMPENSATION AND BENEFITS

The Company has approximately 15,600 full-time and part-time employees as of January 27, 1994. Virtually all full-time employees are covered by medical, dental, hospitalization and life insurance programs paid primarily by the Company. The Company also has a 401(k) plan under which employees may make voluntary contributions.

Full-time employees with over 1,000 hours of service are entitled to Profit Sharing Plan benefits that are funded entirely by the Company. Contributions to the plan were \$11.0, \$10.0, and \$10.4 million for 1994, 1993, and 1992. The 1994 contribution to the Plan will be made in cash and common stock.

TAXES ON INCOME

The cumulative effect of adopting SFAS 109 on the Company's financial statement was to increase net income by \$3.0 million (\$.15 per share) for the year ended January 27, 1994. The Company elected not to restate prior years' consolidated financial statements.

Significant components of the Company's deferred tax assets and liabilities as of January 27, 1994 and January 29, 1993 are as follows:

<TABLE>
<CAPTION>

(THOUSANDS)	1994	1993
<S>	<C>	<C>
Deferred Tax Assets:		
Reserve for vacation pay	\$ 6,862	\$ 5,880
Reserve for worker's compensation	5,522	5,020
State Income Tax	3,662	4,431
Reserve for restricted stock awards	1,562	2,624
Other	3,342	4,389
	20,950	22,344
Deferred Tax Liabilities:		
Depreciation	30,048	29,480
Basis of property	4,253	3,941
Inventories	2,019	--
Other	5,235	2,521
	41,555	35,942
Net deferred tax liability	\$20,605	\$13,598

</TABLE>

No valuation allowances were considered necessary in the calculation of deferred tax assets as of January 27, 1994 and January 29, 1993.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Income tax expense is summarized as follows:

<TABLE>
<CAPTION>

	For the Fiscal Years Ended		
	1994	1993	1992
	-----THOUSANDS-----		
<S>	<C>	<C>	<C>
CURRENT			
Federal	\$22,986	\$27,970	\$27,465
State	6,657	8,049	7,672
	29,643	36,019	35,137
DEFERRED	2,857	(1,519)	763
Total	\$32,500	\$34,500	\$35,900

</TABLE>

The reconciliation between the federal statutory tax rate and the Company's effective tax rates are as follows:

<TABLE>
<CAPTION>

(THOUSANDS)	FOR THE FISCAL YEAR ENDED	
	1994	PERCENT
<S>	<C>	<C>

Federal income taxes		
at statutory rate	\$28,788	35.0%
State income tax net of		
federal benefits	4,521	5.5
Benefits of ESOP dividends	(1,213)	(1.5)
Other	404	.5
	-----	-----
	\$32,500	39.5%
	-----	-----

</TABLE>

The effective tax rate in 1993 and 1992 differ from the federal statutory rate of 34% primarily due to state income taxes.

In accordance with SFAS 109, a tax benefit of \$188 thousand was recorded to retained earnings and a benefit of \$1.2 million was recorded in the tax provision for 1994. Prior to 1994, the tax benefit of these dividends was credited to additional paid in capital and during 1994, this benefit for prior years was re-determined resulting in a reduction of \$512 thousand.

In August 1993, a new federal income tax bill was signed into law, which was retroactive to January 1993. The most significant impact of this bill on the Company was to increase the federal statutory tax rate from 34 percent to 35 percent for all future periods, and resulted in a one-time charge to tax expense of approximately \$376,000 in the third quarter of 1994. The charge was to restate the Company's deferred tax liability to reflect the new rate.

GUARANTEE OF PROFIT SHARING PLAN DEBT

In March 1989, the Company sold 696,864 shares of Longs' common stock to the Profit Sharing Plan for \$25,000,000. The Plan financed this purchase with a ten-year loan which is guaranteed by Longs Drug Stores California, Inc. Consequently, a Guarantee of Profit Sharing Plan debt is shown on the accompanying balance sheets with a corresponding reduction of Stockholders' Equity. Shares purchased with the loan proceeds are allocated to the Plan participants as principal and interest payments are made on the loan.

Loan payments are made in equal quarterly installments of \$930,000 which includes interest at 8.4% per year. The loan is being repaid from dividends on Longs' stock held by the Plan, and Company contributions to the Plan.

Dividends paid to the Plan, and used in part to repay principal and interest on the loan totaled \$3,243,000, \$3,233,000 and \$3,138,000 for 1994, 1993, and 1992.

STOCKHOLDERS' EQUITY

Authorized capital stock consists of 120,000,000 shares of common stock, \$.50 par value, and 30,000,000 shares of preferred stock. There were approximately 16,100 (UNAUDITED) shareholders at the end of 1994.

Each outstanding share of common stock has a Preferred Stock Purchase Right (expiring in September 1996) which is exercisable only upon the occurrence of certain changes in control events. There have been no events that would allow these rights to be exercised.

During 1988, a Restricted Stock Award program was adopted whereby certain individuals may be granted stock in the Company. The restrictions provide that while recipients have voting rights to the shares, transfer of ownership of the shares is dependent on continued employment for a period of five years. The unrecognized portion (\$1.8 million) at January 27, 1994 has been netted against Additional Capital. During 1994, 1993, and 1992; 11,700, 21,200, and 27,250 shares were awarded under the program.

The Board of Directors approved a program in August 1989, under which the Company may repurchase up to three million shares of its outstanding common stock. As of January 27, 1994, the Company had repurchased 1,222,000 shares at a cost of \$47.4 million.

During 1994, the Company repurchased 121,000 shares of its common stock from the Profit sharing Plan at market value totalling \$4.0 million.

FAIR VALUE OF FINANCIAL INSTRUMENTS

SFAS No. 107, "Disclosures about Fair Value of Financial Instruments", requires disclosure of the estimated fair value of financial instruments. The carrying value of cash and equivalents, pharmacy and other receivables, accounts payable, and short-term borrowings approximate the estimated fair value. The carrying value of the Guarantee of Profit Sharing Plan debt, both current and long-term, is \$15,662,000. Its estimated fair value based on debt with similar terms and remaining maturities is \$16,477,000.

LITIGATION

The Company had announced during the first quarter of 1994 that an inquiry into

its Medicaid billing was being conducted by the states of Nevada and Hawaii and Federal regulatory agencies. A settlement was reached for \$750,000 with the state of Nevada. The Company does not expect any additional reimbursements or penalties in this matter to be material.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ACQUISITION OF BILL'S DRUGS, INC.

In September 1993, the Company purchased (in a non-cash transaction) substantially all of the assets of Bill's Drugs, Inc. (Bill's), a chain of drug stores located in Northern California. The transaction is being reported under the purchase method of accounting. The purchase was made by issuing approximately 317,000 shares of the Company's stock with a value of \$10,343,000 and by assuming liabilities of \$13,614,000 for a total purchase price of approximately \$23,957,000. Following is a summary of the assets and liabilities acquired at their approximate fair value.

<TABLE>

<CAPTION>

(THOUSANDS)

<S>	<C>
ASSETS	

Inventory	\$11,177
Other current assets	1,419
Property	7,644
Other long-term assets	3,717

Total assets acquired	\$23,957

LIABILITIES	

Accounts Payable, other	\$ 4,950
Debt	4,764
Deferred Income taxes	3,900

Total liabilities assumed	\$13,614

Net Assets Acquired	\$10,343

</TABLE>

Results of operation of the Bill's stores after the purchase date are included in the Statements of Consolidated Income presented herein. The following proforma information assumes that the acquisition had taken place as of the beginning of each period presented, and includes adjustments for additional depreciation and amortization reflecting the fair market value of the assets acquired. Earnings per share were computed as if the shares issued in the acquisition of Bill's had been issued at the beginning of each period presented. The proforma information is not necessarily indicative of the results of operations as they may be in the future or as they would have been had the transaction been effected on the assumed dates.

<TABLE>

<CAPTION>

(THOUSANDS EXCEPT PER SHARE)	FOR THE FISCAL YEAR ENDED	
	1994	1993
<S>	<C>	<C>
Sales	\$2,548,757	\$2,555,013
Income before cumulative effect of accounting change	48,716	51,823
Per Share	\$2.34	\$2.48
	-----	-----
	-----	-----

</TABLE>

QUARTERLY FINANCIAL DATA (UNAUDITED) AND FIVE YEAR SELECTED FINANCIAL DATA

<TABLE>

<CAPTION>

(THOUSANDS EXCEPT PER SHARE)

	NET SALES	GROSS MARGIN	INCOME (1)	NET INCOME	EARNINGS PER SHARE (1)	EARNINGS PER SHARE	DIVIDENDS PER SHARE	STOCK PRICE RANGE	TOTAL ASSETS
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
QUARTER									
1st	\$ 607,979	\$153,184	\$10,923	\$13,954	\$.53	\$.68	\$.28	\$33-37	\$729,646
2nd	609,346	155,539	12,963	12,963	.63	.63	.28	31-35	726,436
3rd	597,202	153,386	8,935	8,935	.43	.43	.28	31-34	778,197
4th	684,697	174,023	16,930	16,930	.82	.82	.28	31-34	794,804

Total 1994	2,499,224	636,132	49,751	52,782	2.41	2.56	1.12	31-37	794,804

QUARTER									
1st	601,695	149,759	13,693	13,693	.67	.67	.27	33-40	690,990
2nd	613,395	151,006	13,529	13,529	.66	.66	.28	33-37	711,460
3rd	593,669	146,175	9,275	9,275	.45	.45	.28	33-39	732,398
4th	666,716	165,363	16,496	16,496	.80	.80	.28	32-38	726,190

Total 1993	2,475,475	612,303	52,933	52,993	2.58	2.58	1.11	32-40	726,190

TOTAL 1992	2,365,916	589,989	55,379	55,379	2.71	2.71	1.07	33-44	689,251
TOTAL 1991	2,333,767	573,769	59,622	59,622	2.94	2.94	1.02	31-44	648,403
TOTAL 1990	2,110,574	527,287	61,294	61,294	3.01	3.01	.94	35-48	582,284

<FN>
(1) BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE IN FIRST QUARTER AND FISCAL YEAR 1994.
</TABLE>

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DIRECTORS

RICHARD M. BROOKS*
FINANCIAL CONSULTANT

WILLIAM G. COMBS
VICE PRESIDENT, ADMINISTRATION
AND TREASURER

DAVID G. DESCHANE
RETIRED
VICE PRESIDENT/DISTRICT MANAGER

EDWARD E. JOHNSTON*
INSURANCE CONSULTANT

ROBERT M. LONG
CHAIRMAN OF THE BOARD AND CHIEF
EXECUTIVE OFFICER

MARY S. METZ, PH.D.*
DEAN, U.C. BERKELEY EXTENSION

RONALD A. PLOMGREN
SENIOR VICE PRESIDENT,
DEVELOPMENT

STEPHEN D. ROATH
PRESIDENT

HAROLD R. SOMERSET*
BUSINESS CONSULTANT

THOMAS R. SWEENEY
RETIRED
VICE PRESIDENT/DISTRICT MANAGER

FREDERICK E. TROTTER*
PRESIDENT, F.E. TROTTER, INC.

*MEMBER OF THE AUDIT COMMITTEE

SENIOR OFFICERS

BILL M. BRANDON**
SENIOR VICE PRESIDENT

GEORGE A. DUEY**

SENIOR VICE PRESIDENT

ORLO D. JONES
SENIOR VICE PRESIDENT, PROPERTIES
AND SECRETARY

ROBERT M. LONG
CHAIRMAN OF THE BOARD AND
CHIEF EXECUTIVE OFFICER

RONALD A. PLOMGREN
SENIOR VICE PRESIDENT,
DEVELOPMENT

STEPHEN D. ROATH
PRESIDENT

DAN R. WILSON**
SENIOR VICE PRESIDENT, MARKETING

OFFICERS

LES C. ANDERSON**
VICE PRESIDENT, PERSONNEL

AL A. ARRIGONI**
VICE PRESIDENT, CONSTRUCTION

WILLIAM G. COMBS
VICE PRESIDENT, ADMINISTRATION
AND TREASURER

JACK G. DALETH**
VICE PRESIDENT/DISTRICT MANAGER

DON D. ENGLAND**
VICE PRESIDENT/DISTRICT MANAGER

JIM L. FAMINI**
VICE PRESIDENT/DISTRICT MANAGER

DAVE J. FONG**
VICE PRESIDENT, PHARMACY

RON E. LOVELADY**
VICE PRESIDENT/DISTRICT MANAGER

OFFICERS

SAL PETRUCELLI**
VICE PRESIDENT/DISTRICT MANAGER

MIKE K. RAPHEL**
VICE PRESIDENT, REAL ESTATE

GERALD H. SAITO**
VICE PRESIDENT/DISTRICT MANAGER

JOE P. SPAMPINATO**
TREASURER

KYLE J. WESTOVER**
VICE PRESIDENT, TRAINING AND
COMMUNICATIONS

GROVER L. WHITE
VICE PRESIDENT, CONTROLLER

BOB W. WILSON**
VICE PRESIDENT/DISTRICT MANAGER

ANNUAL MEETING

The Annual Meeting of Stockholders will be held at the Regional Center for the Arts, 1601 Civic Drive, Walnut Creek, California on Tuesday, May 17, 1994 at 11:00am. All stockholders are cordially invited to attend.

**Officer of Longs Drug Stores California, Inc. only

GENERAL OFFICE

141 North Civic Drive
P.O. Box 5222
Walnut Creek, California 94596
(510)937-1170

TRANSFER AGENT AND REGISTRAR

Chemical Trust Co. of California
50 California Street
10th Floor
San Francisco, California 94111
(800)647-4273

For assistance on address change, consolidation of multiple holdings, dividend payments or related matters, please contact the Transfer Agent.

AUDITORS

Deloitte & Touche
50 Fremont Street
San Francisco, California 94105

GENERAL COUNSEL

Bell, Rosenberg & Hughes
1300 Clay Street
Suite 1000
Oakland, California 94612-0220

STOCK LISTING

New York Stock Exchange, Inc.
Ticker Symbol-LDG
Newspaper quotations:
"Longs Drg" W.S.J.

FORM 10-K

A copy of the Company's Form 10-K Annual Report filed with the Securities and Exchange Commission may be obtained without charge by writing to the Corporate Treasurer, Longs Drug Stores, P.O. Box 5222, Walnut Creek, California 94596

LONGS DRUGS 1994 ANNUAL REPORT ADDENDUM

LISTING OF PHOTOGRAPHS
FOUND IN 1994 ANNUAL REPORT

- -----
- Page 1 - Employees of Longs Drug Stores
- The new Windsor, California store
 - Page 2 - Our founders, Tom Long and Joe Long
 - Page 3 - Steve Roath, Company President
- Bob Long, Chairman of the Board and Chief Executive Officer
 - Page 4 - Pharmacist helping a customer at the newly installed Diabetes Center
- Pharmacist consulting a patient
 - Page 5 - A grandfather holding his grandchild
 - Page 6 - Martin Bennett and Larry Prato--newly promoted District Managers
- Steve Fryslie, Dick Johnston, Don Basile and Larry Gherlone--newly appointed District Managers
 - Page 7 - Terry Burnside, our new Merchandising Manager, interacts with Brian Kilcourse, our new Chief Information Officer
- Marty Stephenson--newly promoted District Manager
 - Page 8 - Cashier clerk being trained at a computer

- Page 9 - A mother plays with her child
- Page 10 - Customer leaving our new store in Santa Barbara, California
- A customer benefiting from our latest merchandise layout in an upscale cosmetic boutique
- Customers enjoying the new combination soda fountain/capuccino bar in Newport Beach, California
- Customer shopping at the unique health food section in our new Santa Cruz, California store
- Page 11 - Picture of our newly acquired store in Santa Rosa, California
- Customers shopping in our smaller format store in Lafayette, California
- Customer shopping in our extended durable medical equipment section
- Our newly acquired Gilroy, California store features a full-service frame shop

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