FORM 10-K405

Annual report pursuant to section 13 and 15(d), Regulation S-K Item 405

Filing Date: **1999-03-26** | Period of Report: **1998-12-31**
SEC Accession No. 0000950114-99-000043

FILER

GRAYBAR ELECTRIC CO INC

CIK:**205402**| IRS No.: **130794380** | State of Incorp.:**NY** | Fiscal Year End: **1231**
Type: **10-K405** | Act: **34** | File No.: **000-00255** | Film No.: **99574201**
SIC: **5063** Electrical apparatus & equipment, wiring supplies

Mailing Address
P O BOX 7231
ST LOUIS MO 63177

Business Address
34 N MERAMEC AVE
ST LOUIS MO 63105
3145129200

CONFORMED

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-K
COMMISSION FILE NUMBER 0-255

(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1998.

OR

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

For the transition period from ----------------- to ------------------.

GRAYBAR ELECTRIC COMPANY, INC.

(Exact name of Registrant as specified in its charter)

NEW YORK	13-0794380
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
34 North Meramec Avenue, St. Louis, Missouri	63105
(Address of principal executive offices)	(Zip Code)
Post Office Box 7231, St. Louis, Missouri	63177
(Mailing Address)	(Zip Code)

Registrant's telephone number, including area code: (314) 512-9200

Securities registered pursuant to Section 12(b) of the Act: None

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

Preferred Stock - Par Value $20

Common Stock - Par Value $1 Per Share with a Stated Value of $20

Voting Trust Certificates relating to such Shares of Common Stock of the Registrant

Common Stock outstanding at March 26, 1999 - 5,811,277 Shares

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, 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 (Paragraph 229.405 of this chapter) 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 stated value of the Common Stock outstanding and, with respect to rights of disposition, beneficially owned by nonaffiliates (as defined in Rule 405 under the Securities Act of 1933) of the registrant on March 26, 1999, was approximately $116,225,540. Pursuant to a Voting Trust Agreement, dated as of April 1, 1997, approximately 94% of the outstanding shares of Common Stock are held of record by five Voting Trustees who are each directors of the registrant and who collectively exercise all voting rights with respect to such shares. The registrant is 100% owned by its active and retired employees, and there is no public trading market for the registrant's Common Stock. The registrant has the option to repurchase, at the price at which it was issued, each outstanding share of Common Stock in the event of the owner's death, termination of employment other than by retirement, or desire to dispose of such shares. Historically all shares of Common Stock have been issued for $20 per share, and the registrant has always exercised its repurchase option and expects to continue to do so.

The documents listed below have been incorporated by reference into the indicated Part of this Annual Report on Form 10-K:

(1) Annual Report to Shareholders for the fiscal year ended December 31, 1998 -- Part II, Items 5-8.

(2) Information Statement relating to the 1999 Annual Meeting of Shareholders -- Part III, Items 10-13.

PART I

Item 1. Business

Graybar Electric Company, Inc. (the "Company") is engaged internationally in the distribution of electrical and communications products and integrated supply services primarily to contractors, industrial plants, telephone companies, power utilities, and commercial users. All products sold by the Company are purchased by the Company from others.

The Company was incorporated under the laws of the State of New York on December 11, 1925 to take over the wholesale supply department of Western Electric Company, Incorporated. The location and telephone number of the principal executive offices of the Company are 34 North Meramec Avenue, St. Louis, Missouri (314) 512-9200, and the mailing address of the principal executive offices is P.O. Box 7231, St. Louis, Missouri 63177.

Suppliers

The Company acts as a distributor of the products of more than 1,000 manufacturers. The relationship of the Company with a number of its principal suppliers goes back many years. It is customarily a nonexclusive national or regional distributorship terminable upon 30 to 90 days notice by either party.

During 1998, the Company purchased a significant portion of its products from several major suppliers. The termination by any of these companies, within a short period of time, of a significant number of their agreements with the Company might have an immediate material adverse effect on the business of the Company, but the Company believes that within a reasonable period of time it could find alternate sources of supply adequate to alleviate such adverse effect.

Products Distributed

The Company distributes more than 100,000 different products and, therefore, is able to supply its customers with a wide variety of electrical and communications products. The products distributed by the Company consist primarily of wire, cable, conduit, wiring devices, tools, motor controls, transformers, lamps, lighting fixtures and hardware, power transmission equipment, telephone station apparatus, key systems, PBXs, data products for local area networks or wide area networks, fiber optic products, and CATV products. These products are sold to customers such as contractors (both industrial and residential), industrial plants, telephone companies, private and public utilities, and commercial users.

On December 31, 1998 and 1997, the Company had orders on hand which totaled approximately $252,052,000 and $ 232,157,000, respectively. The Company believes that the increase from 1997 to 1998 reflects the improvements in the market sectors of the economy in which the Company operates. The Company expects that approximately 85% of the orders on hand at December 31, 1998 will be filled within the twelve-month period ending December 31, 1999. Historically, orders on hand for the Company's products have been firm, but customers from time to time request cancellation and the Company has historically allowed such cancellations.

Marketing

The Company sells its products through a network of distributing houses located in 14 geographical districts throughout the United States. In each district the Company maintains a main distributing house and a number of branch distributing houses, each of which carries an inventory of supply materials and operates as a wholesale distributor for the territory in which it is located. The main distributing house in each district carries a substantially larger inventory than the branch houses so that the branch houses can call upon the main distributing house for additional items of inventory. In addition, the Company maintains four (4) zone warehouses with special inventories so all locations can call upon them for additional items. The Company also has subsidiary operations with distribution facilities located in Puerto Rico, Mexico, Singapore, Canada and Chile.

The distribution facilities operated by the Company are shown in the following table:

<TABLE>
<CAPTION>

Location of Main Distributing House	Number of Distributing Houses in District		Number of Distributing Houses
<S>	<C>	<C>	<C>
		Graybar International, Inc.	
Boston, MA	11	Puerto Rico	1
Cincinnati, OH	8		
Dallas, TX	30	Graybar Electric (Ontario) Ltd.	
Glendale Heights, IL	16	Canada	6
Miami, FL	3		
Minneapolis, MN	18	Graybar Electric Ltd.	
New York, NY	15	Canada	18
Norcross, GA	19		
Phoenix, AZ	27	Graybar de Mexico, S.DE R.L. DE C.V.	
Pittsburgh, PA	13	Mexico City, Mexico	1
Richmond, VA	18		
Seattle, WA	23	Graybar International PTE, Ltd.	
St. Louis, MO	16	Singapore	1
Tampa, FL	22		
		Graybar International de Chile Limitada	

Santiago	1

<CAPTION>

Zone Distributing Houses	
<S>	<C>
Austell, GA	1
Bethlehem, PA	1
Dallas, TX	1
Peoria, IL	1

</TABLE>

Where the specialized nature or size of a particular shipment warrants, the Company has products shipped directly from its suppliers to the place of use, while in other cases orders are filled from the Company's inventory. On a dollar volume basis, over sixty percent of the orders are filled from the Company's inventory and the remainder are shipped directly from the supplier to the place of use. The Company generally finances its inventory from internally generated funds and from long and short-term borrowings.

The Company distributes its products to more than 200,000 customers, which fall into six general classes. The following list shows the estimated percentage of the Company's total sales for each of the three years ended December 31, attributable to each of these classes:

<TABLE>
<CAPTION>

CLASS OF CUSTOMERS	PERCENTAGE OF SALES		
	1998	1997	1996
<S>	<C>	<C>	<C>
Electrical Contractors	38.2%	38.3%	39.1%
Industrial Plants	25.5	29.3	29.8
Telecommunication Companies	28.7	26.1	24.4
Private and Public Power Utilities	3.9	4.6	5.0
Integrated Supply	2.4	---	---
Miscellaneous	1.3	1.7	1.7
	100.0%	100.0%	100.0%

</TABLE>

At December 31, 1998, the Company employed approximately 2,900 persons in sales capacities. Approximately 1,300 of these sales personnel were sales representatives who work in the field making sales to customers at the work site. The remainder of the sales personnel were sales and marketing managers, and telemarketing, advertising, quotation, counter and clerical personnel.

Competition

The Company believes that it is one of the three largest distributors of electrical and comm/data products in the United States. The field is highly competitive, and the Company estimates that the three largest distributors account for only a small portion of the total market, with the balance of the market being accounted for by independent distributors and manufacturers operating on a local, state-wide or regional basis.

The Company believes that its competitive position is primarily a result of its ability to supply its customers through a network of conveniently located distribution facilities with a broad range of electrical and telecommunications materials within a short period of time. Price is also important, particularly where the Company is asked to submit bids to contractors in connection with large construction jobs.

Employees

At December 31, 1998, the Company employed approximately 7,900 persons on a full-time basis. Approximately 160 of these persons were covered by union contracts. The Company has not had a material work stoppage and considers its relations with its employees to be good.

Item 2. Properties

As of December 31, 1998, the Company operated offices and distribution facilities in 275 locations. Of these, 142 were owned by the Company, and the balance were leased. The leases are for varying terms, the majority having a duration of less than five years.

The Company's distribution facilities consist primarily of warehouse space. A small portion of the space in each facility is used for offices. Distribution facilities vary in size from approximately 5,000 square feet to 213,000 square feet, the average being approximately 29,000 square feet.

As of December 31, 1998, approximately $30.5 million in debt of the Company was secured by mortgages on 35 buildings. Eighteen of these facilities are subject to a first mortgage securing a 12.25% note, of which $1.8 million in principal amount remains outstanding. Seven of these facilities are subject to a first mortgage securing a 9.23% note, of which $19.1 million in principal amount remains outstanding. Eight of these facilities are subject to first mortgages securing variable rate notes, of which $1.7 million in principal remains outstanding. A facility in Houston, Texas is subject to a first mortgage securing a 7.75% note, of which $2.5 million in principal remains outstanding, and a facility in St. Louis, Missouri is subject to a first mortgage securing a 7.74% note, of which $5.4 million in principal remains outstanding.

Item 3. Legal Proceedings

There are presently no material pending legal proceedings which are expected to have a material impact on the Company or any one of its subsidiaries.

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

No matter was submitted to a vote of shareholders during the fourth quarter of the fiscal year covered by this Annual Report on Form 10-K.

PART II

Item 5. Market for the Registrant's Common Stock and Related Shareholder Matters

The Company is wholly owned by its active and retired employees, and there is no public trading market for its Common Stock, par value $1 per share with a stated value of $20 per share. No shareholder may sell, transfer or otherwise dispose of shares of Common Stock without first offering the Company the option to purchase such shares at the price at which they were issued. The Company also has the option to purchase the Common Stock of any shareholder who dies or ceases to be an employee of the Company for any cause other than retirement on a Company pension. In the past all shares issued by the Company have been issued at $20 per share, and the Company has always exercised its repurchase option, and expects to continue to do so.

The information as to number of holders of Common Stock and frequency and amount of dividends, required to be included pursuant to this Item 5, is included under the captions "Capital Stock Data" and "Dividend Data" on page 1 of the Company's Annual Report to Shareholders for the year ended December 31, 1998, (the "1998 Annual Report") furnished to the Securities and Exchange Commission (the "Commission") pursuant to Rule 14c-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and such information is incorporated herein by reference.

Item 6. Selected Financial Data

The selected financial data for the Company as of December 31, 1998 and for the five years then ended, which is required to be included pursuant to this Item 6, is included under the caption "Selected Consolidated Financial Data" on page 18 of the 1998 Annual Report and is incorporated herein by reference.

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

Management's discussion and analysis required to be included pursuant to this Item 7 is included under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 19 and 20 of the 1998 Annual Report and is incorporated herein by reference.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company's interest expense is sensitive to changes in the general level of interest rates. In this regard, changes in interest rates affect the interest paid on its debt. To mitigate the cash flow impact of interest rate fluctuations, the Company generally maintains a significant portion of its debt as fixed rate in nature by borrowing on a long-term basis.

The following table provides information about financial instruments that are sensitive to changes in interest rates. The table presents principal cash flows and related weighted-average interest rates by expected maturity dates.

<TABLE>
<CAPTION>

	1999	2000	2001	2002	2003	Thereafter	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Long-term debt principal payments by expected maturity dates, including current portion -							
Fixed rate debt	15,545	18,357	22,347	22,561	30,626	173,406	282,842
Average interest rate	7.81%	6.92%	7.03%	7.01%	6.91%	6.89%	
Variable rate debt	930	891	288	200	169	725	3,203
Average interest rate	8.25%	8.27%	8.29%	8.27%	8.28%	8.27%	
Notes payable to banks -							
Short-term notes	43,948	---	---	---	---	---	43,948
Average interest rate	5.78%						

</TABLE>

The fair value of long-term debt is estimated by discounting cash flows using current borrowing rates available for debt of similar maturities. Based on the discounted cash flow analysis, the fair value of long-term debt approximates the carrying value at December 31, 1998. Fair value of the notes payable to banks approximates the carrying value due to the short-term maturity of the instruments.

Foreign Exchange Rate Risk

The Company conducts business in several foreign countries including Canada, Mexico, Puerto Rico, Singapore and Chile. Exposure from foreign currency exchange rate fluctuations is not material.

Item 8. Financial Statements and Supplementary Data

The financial statements and Report of Independent Auditors required by this Item 8 are listed in Item 14(a)(1) of this Annual Report on Form 10-K under the caption "Index to Financial Statements."

Such financial statements specifically referenced from the 1998 Annual Report in such list are incorporated herein by reference. There is no supplementary financial information required by this item which is applicable to the Company.

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

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

The information with respect to the directors and executive officers of the Company required to be included pursuant to this Item 10 will be included under the caption "Directors and Executive Officers -- Nominees for Election as Directors" in the Company's Information Statement relating to the 1999 Annual Meeting (the "Information Statement"), to be filed with the Commission pursuant to Rule 14c-5 under the Exchange Act, and is incorporated herein by reference.

Item 11. Executive Compensation

The information with respect to executive compensation required to be included pursuant to this Item 11 will be included under the captions "Executive Compensation" and "Pension Plan" in the Information Statement and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information with respect to the security ownership of beneficial owners of more than 5% of the Common Stock, the directors of the Company and all directors and officers of the Company, which is required to be included pursuant to this Item 12, will be included in the introductory language and under the caption "Directors and Executive Officers -- Nominees for Election as Directors" in the Information Statement and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

The information with respect to any reportable transactions, business relationships and indebtedness between the Company and the beneficial owners of more than 5% of the Common Stock, the directors or nominees for director of the Company, the executive officers of the Company or the members of the immediate families of such individuals, required to be included pursuant to this

Item 13, will be included under the caption "Directors and Executive Officers" in the Information Statement and is incorporated herein by reference.

PART IV

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

(a) Documents filed as part of this report:

The following financial statements and Report of Independent Auditors are included on the indicated pages in the 1998 Annual Report and are incorporated by reference in this Annual Report on Form 10-K:

1. Index to Financial Statements

(i) Consolidated Statements of Income and Retained Earnings for each of the three years ended December 31, 1998 (page 21).

(ii) Consolidated Balance Sheets, as of December 31, 1998 and December 31, 1997 (page 22).

(iii) Consolidated Statements of Cash Flows for each of the three years ended December 31, 1998 (page 23).

(iv) Consolidated Statements of Changes in Shareholders' Equity for each of the three years ended December 31, 1998 (page 24)

(v) Notes to Consolidated Financial Statements (pages 25 to 28).

(vi) Report of Independent Auditors (page 29).

2. Index to Financial Schedule

The following schedule for each of the three years ended December 31, 1998, to the financial statements is included on the indicated page in this Annual Report on Form 10-K:

(i) Schedule II. Valuation and Qualifying Accounts (page 14).

All schedules other than those indicated above are omitted because of the absence of the conditions under which they are required or because the required information is set forth in the financial statements and the accompanying notes thereto.

3. Exhibits

The following exhibits required to be filed as part of this Annual Report on Form 10-K have been included:

(3) Articles of incorporation and by-laws

(i) Restated Certificate of Incorporation, as amended, filed as exhibit 4(i) to the Company's Registration Statement on Form S-1 (Registration No. 333-15761) and incorporated herein by reference.

(ii) By-laws as amended through August 1, 1994 filed as exhibit 3(ii) to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 (Commission File No. 0-255) and incorporated herein by reference.

(4)and(9) Voting Trust Agreements

Voting Trust Agreement dated as of April 1, 1997, attached as Annex A to the Prospectus, dated January 21, 1997, constituting a part of the Company's Registration Statement on Form S-1 (Registration No. 333-15761) and incorporated herein by reference.

The Company hereby agrees to furnish to the Commission upon request a copy of each instrument omitted pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K.

(10) Material contracts.

(i) Management Incentive Plan, filed as Exhibit 4(a)(1) to the Annual Report on Form 10-K for the year ended December 31, 1972 (Commission File No. 0-255), as amended by the Amendment effective January 1, 1974, filed as Exhibit 13-c to the Registration Statement on Form S-1 (Registration No. 2-51832), the Amendment effective January 1, 1977, filed as Exhibit 13(d) to the Registration Statement on Form S-1 (Registration No. 2-59744), and the Amendment effective January 1, 1980, filed as Exhibit 5(f) to the Registration Statement on Form S-7 (Registration No. 2-68938) and incorporated herein by reference.

(13) Annual Report to Shareholders for 1998 (except for those portions which are expressly incorporated by reference in this Annual Report on Form 10-K, this exhibit is furnished for the information of the Commission and is not deemed to be filed as part of this Annual Report on Form 10-K).

(21) List of subsidiaries of the Company.

(23) Independent Auditors' Consent of Ernst and Young LLP.

(27) Financial Data Schedule (submitted in EDGAR format only).

(b) Reports on Form 8-K:

No reports on Form 8-K were filed during the last quarter of the Company's fiscal year ended December 31, 1998.

SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the Company has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, as of the 26th day of March, 1999.

GRAYBAR ELECTRIC COMPANY, INC.

By /s/ C. L. HALL

(C. L. Hall, President)

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the Company, in the capacities indicated, on March 26, 1999.

<TABLE>

<S>	<C>
/s/ C. L. HALL (C. L. Hall)	Director and President (Principal Executive Officer and Principal Financial Officer)
/s/ J. R. SEATON (J. R. Seaton)	Director, Vice President and Comptroller (Principal Accounting Officer)
/s/ R. A. COLE (R. A. Cole)	Director
/s/ T. F. DOWD (T. F. Dowd)	Director
/s/ T. S. GURGANOUS (T. S. Gurganous)	Director
/s/ R. H. HANEY (R. H. Haney)	Director
/s/ G. W. HARPER (G. W. Harper)	Director
/s/ W. L. KING (W. L. King)	Director

/s/ J. C. LOFF (J. C. Loff)	Director
/s/ G. J. McCREA (G. J. McCrea)	Director
/s/ R. D. OFFENBACHER (R. D. Offenbacher)	Director
/s/ R. A. REYNOLDS, JR. (R. A. Reynolds, Jr.)	Director
/s/ C. R. UDELL (C. R. Udell)	Director
/s/ J. F. VAN PELT (J. F. Van Pelt)	Director
/s/ J. W. WOLF (J. W. Wolf)	Director

</TABLE>

<TABLE>

GRAYBAR ELECTRIC COMPANY, INC. AND SUBSIDIARIES

SCHEDULE II-VALUATION AND QUALIFYING ACCOUNTS

<CAPTION>

Column A Description	Column B Balance at Beginning of Period	Column C Additions Charged to Income	Column D Deductions	Column E Balance at End of Period
<S>	<C>	<C>	<C>	<C>
FOR THE YEAR ENDED DECEMBER 31, 1998:				
Reserve deducted from assets to which it applies-				
Allowance for doubtful accounts	$3,962,000	$ 2,331,000	$ 2,158,000 <F1>	$4,135,000
Allowance for cash discounts	665,000	11,855,000	11,872,000 <F2>	648,000
Total	$4,627,000	$14,186,000	$14,030,000	$4,783,000
FOR THE YEAR ENDED DECEMBER 31, 1997:				
Reserve deducted from assets to which it applies-				
Allowance for doubtful accounts	$3,901,000	$ 2,196,000	$ 2,135,000 <F1>	$3,962,000
Allowance for cash discounts	582,000	10,557,000	10,474,000 <F2>	665,000

Total	$4,483,000	$12,753,000	$12,609,000	$4,627,000
FOR THE YEAR ENDED DECEMBER 31, 1996:				
Reserve deducted from assets to which it applies-				
Allowance for doubtful accounts	$4,113,000	$ 2,004,000	$ 2,216,000 <F1>	$3,901,000
Allowance for cash discounts	476,000	9,743,000	9,637,000 <F2>	582,000
Total	$4,589,000	$11,747,000	$11,853,000	$4,483,000

<FN>

<F1> Amount of trade receivables written off against the reserve provided.
<F2> Discounts allowed to customers.
</TABLE>

<TABLE>

INDEX TO EXHIBITS

Exhibits

<S> <C>

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(i) Restated Certificate of Incorporation, as amended, filed as exhibit 4(i) to the Company's Registration Statement on Form S-1 (Registration No. 333-15761) <F*>

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(13) Annual Report to Shareholders for 1998 (except for those portions which are expressly incorporated by reference in this Annual Report on Form 10-K, this exhibit is furnished for the information of the Commission and is not deemed to be filed as part of this Annual Report on Form 10-K)

(21) List of subsidiaries of the Company.

(23) Independent Auditors' Consent of Ernst and Young LLP.

(27) Financial Data Schedule (submitted in EDGAR format only).

<FN>
<F*>Incorporated by reference in this Annual Report on Form 10-K.
</TABLE>

1

A N N U A L R E P O R T 1 9 9 8

[PHOTOS]

[GRAYBAR LOGO]

100% ISO REGISTERED
100% ISO REGISTERED
100% ISO REGISTERED
100% ISO REGISTERED
100% ISO REGISTERED
100% ISO REGISTERED
100% ISO REGISTERED

2

GRAYBAR DIRECTORS

[PHOTOS]

Standing (left to right):
GERARD J. MCCREA
District Vice President--Northeastern
Comm/Data District

WILLIAM L. KING
District Vice President--Boston District

Seated:
THOMAS S. GURGANOUS
District Vice President--Richmond District

JACK F. VAN PELT
Vice President--Human Resources

JOHN R. SEATON
Vice President and Comptroller

Standing (left to right):
GOLDEN W. HARPER
Vice President--Operations

CARL L. HALL
President and Chief Executive Officer

RICHARD D. OFFENBACHER
District Vice President--Southeastern
Comm/Data District

Seated:
ROBERT A. REYNOLDS, JR.
Senior Vice President, Comm/Data Business

RICHARD H. HANEY
Senior Vice President, Electrical Business

Standing (left to right):
RICHARD A. COLE
District Vice President--Chicago District

JOHN C. LOFF
District Vice President--Seattle District

CHARLES R. UDELL
Vice President--Electrical Marketing

Seated:
JOHN W. WOLF
Vice President and Treasurer

THOMAS F. DOWD
Vice President, General Counsel and Secretary

CAPITAL STOCK DATA

Number of Equity Security Holders as of December 31, 1998:

Title of Class	Number of Security Holders
Preferred Stock	88
Common Stock	168
Voting Trust Certificates for Common Stock	4,204

DIVIDEND DATA

Common Stock, par value $1; stated value $20.

Dividends declared for year:	1998	1997	1996
First Quarter	$ .30	$ .30	$ .30
Second Quarter	.30	.30	.30
Third Quarter	.30	.30	.30
Fourth Quarter	$1.10	$1.10	$1.10

On December 10, 1998 a five percent stock dividend was declared to shareholders of record on January 14, 1999. Shares representing this dividend were issued on February 1, 1999.

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COMPANY'S BUSINESS

Graybar Electric Company, Inc. is engaged internationally in the distribution of electrical and communications products and integrated supply services primarily to contractors, industrial plants, telephone companies, power utilities, and commercial users. All products sold by the Company are purchased by the Company from others.

MARKETS SERVED

Electrical Contractor
Commercial & Industrial
Voice & Data Communications
Power Utility
International

ON THE COVER

Left: Derrick Woodell, Supervisor Zone Service Center, operates the Bendi forklift at the new Atlanta Regional and National Zone.

Upper right: Lynn Anderson, Steve Becker, Debbie Grace and Don Ludwinski, all employees

at the Information Systems facility in St. Louis,
confer over a recent report.

Lower right: Director of Training John Teipen
tries out the new high-tech training room
at Information Systems. Trainees include
(left to right) IS employees Lynn Anderson,
Cherry Bennett, Jim Shemwell, and
Carrie Johnson, Training Specialist
at Corporate Headquarters.

LETTER TO SHAREHOLDERS

Supported by a strong economy, Graybar continued to outpace the industry in 1998 with record sales and profits. Revenues and net profits increased by 12% over the previous year - concurrently establishing a new record for return on sales.

There were a number of significant changes and appointments in senior management in 1998:

Robert L. Mygrant, District Vice President in Tampa, and a Director and Voting Trustee, retired. Subsequently, Michael W. Fowler was appointed Tampa District Vice President, William L. King was appointed a Director and Robert A. Reynolds, Jr. was elected a Voting Trustee. Bob Mygrant was invaluable in his roles as District Vice President, Director, and Voting Trustee. His counsel will be missed.

Irving Orloff, District Vice President in St. Louis and a Director, retired. Director Anthony A. Brzoski retired as Vice President-Comm/Data Marketing. Both Irving and Tony, in fulfilling their responsibilities as Vice Presidents and Directors, made significant contributions to the Company. We wish them the best in their well-earned retirement.

Thomas F. Williams was appointed District Vice President in St. Louis. Dennis E. DeSousa was appointed Vice President-Comm/Data Marketing, and Bruce C. Judkins was appointed Vice President-Corporate Accounts and Integrated Supply.

[GRAPH]

Also in 1998, Kathleen M. Mazzarella was appointed Vice President-Comm/Data National Accounts, and William R. Kuykendall was appointed Vice President-International.

Finally, in addition to William L. King, two other Directors were elected - Richard A. Cole, District Vice President in Chicago, and John C. Loff, District Vice President in Seattle.

To support the Company's growth, five new locations opened, and more than 700 employees were hired in 1998. At year-end, Human Resources Managers were in place in six districts. They are filling a vital role helping to manage our employee recruiting and retention efforts, and we plan to have this position filled in all districts in 1999.

To more fully meet the needs of national account customers, a centralized customer service group was established to handle comm/data national accounts. Those Fortune 500 customers and large national resellers now have one point of contact for sales and customer service for their multiple locations nationwide.

The Company continued to move forward with implementation of the new logistics program. Zone warehouses were opened in Dallas and Atlanta while two others are scheduled to open early in 1999. Four additional warehouses are scheduled to open by year-end - including all of the designated national zones. We anticipate that the logistics strategy will be totally implemented by the end of the year 2000.

Early results from the regional zones are positive. It is apparent that customer service and inventories have been improved in those locations served by the zones, and we have made significant productivity gains. When the logistics plan is implemented nationwide, we will have the ability to deliver to 98% of our customers within 24 hours. And the zones will enable us to increase the number of orders that are filled completely first time, one pass - thereby greatly reducing the number of transactions and shipments.

Further, warehouse automation will minimize selection and receiving errors - again, reducing the number of transactions for us - and the customer. The logistics plan is expected to support the Company's growth well into the next century and is an integral part of our strategy to obtain increased market share.

Graybar achieved a significant milestone in 1998, as we became ISO registered in every location. The disciplined approach afforded by ISO registration has helped us improve both the consistency and quality of our service and also enhances our ability to implement new procedures.

The Company continued its strong emphasis on training by providing 182 instructor-led courses in 1998 which were attended by over 3,500 employees. In addition, Graybar employees registered for more than 60,000 courses on Graybar's on-line "Virtual Campus." Future training plans include development of instructor-led, on-line courses along with an expanded curriculum including training videos.

Some time ago, we became aware of the need for increased emphasis on long-term strategic planning. Consequently, beginning in 1997, the Board of Directors began to meet specifically to discuss future strategy. An outgrowth of these meetings, along with an intensive effort by a sub-committee of the Board, was the decision to create a new function to focus full time on strategic issues and business development. Effective December 1, 1998, Beatty D'Alessandro was appointed to the new position of Director of Strategic Planning and Business Development. As such, Beatty will lead Graybar's strategic business planning process and develop, with the Board's oversight and approval, a strategic business plan. Beatty and his staff will analyze our existing business and evaluate potential opportunities in an objective, disciplined fashion. The goal is to change management's focus from year-end results to a more distant horizon. Beatty and his staff will also be responsible for identifying and evaluating possible acquisitions.

"Our stated ambition is to become the leading electrical and comm/data distributor and to benumber one or two in every market that we serve."

Our stated ambition is to become the leading electrical and comm/data distributor and to be number one or two in every market that we serve. To achieve that ambition we must continue to gain market share, which can only be accomplished by developing the best service offering at a competitive price. To outpace the industry, we must have continued improvements in productivity and our service offering. Key programs to this effort are logistics, training and technology.

We have already touched on logistics and training. Major technological advances in 1998 included the installation of a new mainframe computer and an updated version of GraybarNet(R), our web-based, real time customer order entry system. This new version provides the capabilities to gain access through the Internet and use an electronic catalog.

In addition, all critical computer programs were tested and updated to insure Year 2000 compliance. All system hardware was also tested and updated as needed. We are currently reviewing all supplier and customer Year 2000 issues, which may require the development of contingency plans.

The International Group focused on national account initiatives with multinational companies and engineering contractors in strategic markets and finished the year profitably despite turmoil in many of the markets we serve. In Canada, Graybar Ontario and Harris & Roome had record sales with growth rates exceeding their local markets. We assumed 100% ownership of Graybar Singapore, reorganized and moved to a new location. Graybar Chile opened in May, and despite negative pressures affecting all of Latin America, finished the year in a strong position to support our future strategic activities in the region.

It is management's opinion that Graybar is well positioned to achieve our long-term objectives.

/s/ C. L. Hall

St. Louis, Missouri Carl L. Hall
March 1999 President

MARKET REVIEW

CONSTRUCTION MARKET

Graybar continued to increase share in the contractor market as our 1998 sales to this core customer group significantly outpaced the industry. Growth was strong across the country with the southwest and central regions leading the way.

Investments in programs such as on-site services, interactive quote and project management teams enabled us to grow our direct-ship project business at a rate three times the industry average in 1998, making construction one of our fastest growing domestic markets. We expect this trend to continue as we begin to implement our vision of being the "industry standard bearer" for project management services.

Stock sales continued to grow despite a decline in copper wire pricing. Our continuing commitment to error-free performance, emphasized by our company-wide registration to the ISO 9002 standards, and the introduction of our regional zone warehouses contributed substantially to this growth. The logistics plan calls for a network of regional zone warehouses to be completed by year-end 2000. When fully implemented, this network will enable Graybar to deliver an expanded inventory offering-next day-to 98% of the U.S. market, with greatly improved fill rates and fewer errors.

Employee training is a major focus at Graybar as we continue our commitment to sales specialization and skills enhancement. New contractor sales representatives attended contractor sales training schools, which covered topics such as plans and specs, take-offs, negotiating skills and project management. Four of these schools were held in 1998, and we plan four more schools in 1999. In addition, 50 corporate-sponsored training schools were conducted with nine key suppliers. More than 1,200 employees attended these classes.

A total of 480 employees attended 14 lighting schools at General Electric's Nela Park Training Institute and Graybar lighting schools at the Lithonia, Hubbell, Lutron, and Cooper Lighting training centers.

In 1998 we conducted 16 Graybar-only, instructor-led regional training schools with Square D. These schools provided valuable intermediate-level product training to 320 Graybar employees. Prerequisites for most schools included the successful completion of three Square D training courses on our Virtual Campus.

The Company exhibited at two major contractor conventions in 1998: the National Electrical

[PHOTO]

Contractors Association (NECA) and the Independent Electrical Contractors (IEC). At the 1998 NECA Show, we displayed our Comm/Data and Electrical Business strengths with an appropriate theme: "Graybar, your one source for Electrical, Communications and Data Products."

Also at the NECA Show we reintroduced the Graybar hobbyhorse campaign, "Electrical Wiring Is NOT A Hobby." This advertising campaign discourages the growing "do-it-yourself-electrically" trend among homeowners and others by showing a hobbyhorse made of electrical parts engulfed in flames. Posters, bumper stickers and other materials featuring the hobbyhorse are being offered to electrical contractors-helping them create awareness of the hazards associated with amateurs attempting electrical installations. A big hit when first introduced in 1955, and again in 1965, this campaign is expected to generate customer goodwill and increased business from contractors.

The Graybar booth at the IEC Annual Convention in Boca Raton, Florida, featured presentations by several major suppliers who introduced new and labor saving products. Graybar, GE Lighting and Square D co-sponsored the annual "Celebration `98" dinner during the convention.

Our special relationship with Square D continues to reward both companies with growth exceeding industry averages. The opportunity to do strategic planning together in areas such as electronic commerce, training programs and merchandising is a valuable by-product of our single line relationship.

COMMERCIAL AND INDUSTRIAL MARKETS

As corporate America continues the pursuit of becoming either the biggest or the best in their respective industries at the lowest overall cost, companies in the Commercial and Industrial Markets (C&I) are looking for strategies to help them achieve a competitive advantage. This unprecedented drive toward cost competitiveness by our C&I customers offers us many opportunities to apply our value-added capabilities in the form of Graybar "Real Solutions."

Our C&I national account business continued to grow at a double-digit rate in 1998. Trends such as electronic commerce, supply chain integration, and strategic alliances are providing differentiation for Graybar and its customers in this market.

"Investments in programs such as on-site services, interactive quote and project management teams enabled us to grow our direct-ship project business at a rate three times the industry average in 1998, making construction one of our fastest growing domestic markets."

The Graybar hobbyhorse campaign reintroduced at the NECA Show is expected to generate customer goodwill and increased business from contractors.

[PHOTO]

This was demonstrated best in 1998 with the announcement of a new agreement connecting IBM, Graybar, and Square D/Groupe Schneider in a supply chain that allows IBM better control over capital expenditures and enables their personnel to devote more time to IBM's core business. Under this alliance, IBM has designated Square D/Groupe Schneider as the national standard for all IBM facilities in North America. Graybar was selected to be an alliance member due to our extensive electronic commerce capabilities and our national inventory commitment to Square D/Groupe Schneider.

Our national account organization continues to evolve as we reinforce our commitment to strategic customers and position Graybar as the market leader for providing large national customers with both standard and specialized services.

In 1998 we leased four facilities totaling 343,073 square feet to provide specialized services to one of our key customers. When fully operational, we will employ approximately 140 people dedicated to these four facilities. The kit assembly and many other special services we perform assist this customer in providing improved services to their end-user customers.

MINORITY/WOMEN-OWNED BUSINESS ENTERPRISES (MWBE)

In 1998, as part of our continued commitment to minority and women-owned businesses, we completed the MWBE expenditure reporting system. Reports can now be developed on a monthly, quarterly, or yearly basis for both local and national accounts. As part of this program, we have also developed a resource list of more than 300 MWBE suppliers.

[PHOTO]

INTEGRATED SUPPLY

Graybar continues to actively pursue Integrated Supply business. The concept of "one stop shopping," which allows Graybar to be integrated into the customer's systems and provide materials and services outside our normal electrical and communications product offering, continues to grow. One of the highlights of 1998 was a series of government contracts awarded to Graybar to provide MRO products to military installations in Hawaii, Alaska, southern California, the northeastern United States, Texas and Louisiana. These contracts cover military facilities in these regions and have been implemented at targeted sites. In addition to the standard supply products, Graybar is providing products as diverse as barbecue pits, lawn and garden supplies and runway chemicals. We have opened an on-base storeroom in Hawaii and are providing all the material and staffing to support their facilities maintenance personnel.

Also in 1998 we expanded the Integrated Supply offering with the successful award of the Texas Instruments contract in October. The multi-year agreement is structured for the management and operation of the facilities, communication, and, for the first time, the manufacturing support stockrooms. Graybar has operated twelve MRO facilities and communication stockrooms for Texas Instruments since 1990. The four new stockrooms directly support the raw material requirements for the production of wafers for Texas Instruments. These stockrooms operate 24 hours a day, 365 days a year.

COMM/DATA MARKETS

Sales to Comm/Data Markets continued to grow at a record pace in 1998. This was fueled by user demand for more bandwidth capacity to carry a constantly increasing amount of voice and data traffic. With rapid changes in technology and the growing use of the Internet and intranets, users are expected to continue to upgrade their local and wide area networks for the foreseeable future.

With our specialized sales and service teams designed around the reseller, end-user, and public network markets, Graybar is uniquely positioned to take advantage of opportunities in all

"The concept of "one stop shopping," which allows Graybar to be integrated into the customer's systems and provide materials and services outside our normal electrical and communications product offering, continues to grow."

[PHOTO]

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customer segments of the comm/data industry. This sales and service focus, combined with the best inventory, counter service, and logistics network in the industry, resulted in Graybar increasing share in every major market in 1998.

PRIVATE NETWORK MARKETS

Sales to the private network markets-voice interconnects, data contractors and end-users-grew at a healthy rate in 1998, despite significant price deflation on high performance data cabling and networking products.

Graybar solidified its preeminent market position with data contractors, increasing sales to these customers at a higher rate than the overall growth in the market. Data contractors recognize Graybar combines quality products, superior service, and a nationwide presence into a package that is the best in the industry for serving their needs. We also have a true commitment to their success by continuing to implement a strategy of supporting the data contractor as the primary installation and service provider for the end-user.

Sales directly to commercial and industrial end-users also increased in 1998. The vertical alignment of our sales, marketing, and service teams, combined with design capabilities of the Network System Specialists, resulted in Graybar becoming a much more significant factor in the specification of systems and products at the end-user level. By influencing the product selection early in the decision cycle, we strengthened our position with end-user customers and increased sales and market presence. As we become more proficient in addressing the complex requirements of the end-user, we expect sales to this market to grow rapidly in the coming years.

PUBLIC NETWORK MARKETS

Sales to public network customers - Bell Operating Companies, Independent Telcos and other companies that build and maintain wide area networks - increased dramatically in 1998 and represented the highest growth rate of all our Comm/Data Markets. These service providers are investing heavily in products and services to support demand for high-speed voice and data traffic over the public network. Our specialized public network sales, service, and management teams have successfully positioned Graybar as a leading provider of distribution services to this market.

Our public network customers are demanding logistics services that reduce their material management costs in order to release capital for investing in their network infrastructure. The services we have developed for these customers-such as inventory management, rack and stack, customized billing/shipping documentation-have allowed them to focus on providing network services, while reducing their total cost of ownership

[PHOTO]

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of material. We expect very significant growth in sales to these customers as we continue to gain more experience and expand our service offering.

NATIONAL COMM/DATA ACCOUNTS

Specialization and account focus were key contributors to increased sales to comm/data national accounts in 1998 as these accounts continue to be a significant part of our strategic sales plan. Our most significant growth opportunity was with the Bell Operating Companies as they recognize the value full service distributors provide.

Similar to the field, our National Account Managers are specialized to focus on the Private and Public Network Markets. Within these markets, the National Account team is aligned by industry (i.e., insurance, transportation, integrators, etc.) This realignment of assignments has created a sales team that understands the nuances of each respective vertical market andis prepared to address the unique product and service requirements of each industry.

In late 1998 a National Account Customer Service Team was established to support national customers who wanted a single point of contact for order processing and billing along with local sales coverage. This program is in its initial implementation phase, and we expect to have more than 15 national accounts supported by this team by year-end 1999.

POWER UTILITY MARKET

Industry deregulation, a strong stock market and increased global influences are contributing to changes in the electric utility market. To meet competitive challenges, utilities are putting more emphasis on outsourcing and vendor reduction. With our

The network room at Graybar's Information Systems facility in St. Louis is the hub for monitoring the Company's comm/data network. A team of communications technicians, including Anna Cavanaugh and Dennis O'Leary, ensures that any problems are resolved quickly.

"Sales to public network customers increased dramatically in 1998 and represented the highest growth rate of all our Comm/Data Markets."

wide variety of products and service offerings Graybar is in a strong position to help utilities meet these challenges and reduce their cost of doing business.

We have already seen this trend during the last five years as our sales to utilities have remained fairly flat, reflecting the industry in general. However, Graybar's overall sales of utility-type products have increased significantly during this period as we sold these products to contractors and end-users. Our sales through stock of utility products are up 22% over this same period, reinforcing the fact that utilities are starting to purchase more through distribution.

Distributor alliances with utilities, of which Graybar has several, have usually been with the large, investor-owned utilities. We are now seeing these same strategic alliances in the rural electric cooperative market. One of the premiere alliances in the country is between New Hampshire Electric Cooperative (NHEC) and Graybar Manchester. This alliance received national attention in a Purchasing magazine article in 1998. The article explained not only our ability to reduce NHEC's overall cost, but more important, our ability to service the utility when a big ice storm hit their system earlier in the year. NHEC credits Graybar for staying open during this period and providing them with the necessary products and services to restore their power system.

As deregulation continues across the country, Graybar will have opportunities to work closely with utilities, assisting them in improving their business processes as they strive to meet the competitive challenges of the future.

INTERNATIONAL MARKETS

Despite the financial turmoil that spread from Asia throughout most of the international markets in 1998, our International Group, while unable to meet targets in all markets, finished the year profitably. Our international strategy remained focused on supporting our national account initiatives with multinational companies and engineering contractors in strategic markets, especially North America. This strategy, coupled with our long experience in these markets, has enabled us to maintain the structure necessary to support the Company's objectives.

NORTH AMERICA

While Canada faced a dramatic weakening of its dollar, Graybar Ontario and Harris & Roome both had record years in 1998 and achieved growth rates well in excess of their local markets.

With growth in strategic markets both Graybar de Mexico and Puerto Rico ended the year profitably.

In Puerto Rico we completed a conversion to new computer software, while systems in Graybar Ontario and Graybar de Mexico were also upgraded. The new software gives us the capability to fully support our global accounts.

LATIN AMERICA/CARIBBEAN

All Latin American and Caribbean markets felt the adverse effects of natural disasters and the global financial crisis in 1998. Miami International was reorganized to meet the realities of today's market and ended the year profitably, maintaining a strong presence in all strategic countries.

Our new location in Chile opened in May in a strong market but by year-end fell victim to the same negative pressures affecting all of Latin America. We adjusted our strategy there and local management did an excellent job penetrating new markets. Graybar Chile ended the year in a strong position to successfully support our future strategic activities in Latin America.

ASIA/PACIFIC

In spite of the Asian financial crisis, San Francisco International had an excellent year due largely to our on-site Sales Representatives in Singapore and Japan.

In 1998 the Company assumed 100% ownership of Graybar Singapore, reorganized and moved to a new location. These changes have proven successful, and Graybar Singapore ended the year well positioned to fully support U.S. national accounts, engineering contractors and strategic suppliers operating in Asia during these very difficult times.

MIDDLE EAST/AFRICA

The falling price of oil had the effect of halting or delaying all projects in the Middle East. Because of its long-standing relationships, excellent service records and strong market presence, Houston International was able to end the year profitably with its infrastructure not only intact but stronger than ever.

MARKETING SUPPORT

ADVERTISING AND SALES PROMOTION

A consistent advertising campaign, rich in our service capabilities and capitalizing on strategic relationships with electrical and comm/data suppliers, continues to brand Graybar as the source for solutions.

More than 200 trade ad placements were positioned in major market magazines generating more than 65,000 sales leads. Trade magazine editorial was a major focus, and we were successful in receiving coverage of our service capabilities in many publications. Highlighting our effort was a feature article in the July issue of Electrical Contractor magazine that praised the uniqueness of our relationship with Universal Systems, a large electrical contractor.

Direct mail advertising continued to communicate the breadth of product available from our local, regional and national inventories. Supporting the electrical business were three issues of the Graybar Products Extra tabloid. Featured themes were Contractor Solutions, Square D Solutions and Commercial & Industrial Solutions.

Graybar's service to Universal Systems, a large electrical contractor, was featured on the cover of the July Electrical Contractor magazine.

[PHOTO]

"Our international strategy remained focused on supporting our national account initiatives with multinational companies and engineering contractors in strategic markets, especially North America."

The Graybar Digest, targeting our comm/data customers, was upgraded to a new, full-color format. Themes for the three 1998 issues were LAN/WAN Solutions, Wire & Cable Solutions and Solutions for Voice Applications.

A new Graybar Public Network Products catalog for comm/data customers and 15 customized supplier catalogs helped keep customers aware of new products, applications, and value-added services.

Demand for our "contractors" style job calendar continues to grow with more than 90,000 distributed to customers in 1998. The October to September format makes our version unique.

A new concept in counter promotions, designed to focus on value-added high margin products, was an instant success with our branches and counter customers. "Promotions In A Box" kits include signs and premiums designed to fit special freestanding display fixtures. The promotions are supplier and product specific and offer free, family-oriented premiums with the purchase of displayed products. Branches can select two different kits each month from a menu containing more than 40 supplier promotions.

[PHOTO]

COUNTER MARKETING

Graybar counter sales continued their strong performance in 1998. The Counter Marketing Department designed 17 counters including three for new locations. Suppliers continue to show strong support for counter marketing by working with corporate to develop new plan-o-grams and packaging designs to promote impulse sales.

Training seminars in 1998 concentrated on the counter basics. One hundred-twenty counter personnel were tutored on merchandising, sales, product training and margin development.

WORLD SERIES OF GOLF

In August Graybar was host to over 700 guests at the NEC World Series of Golf at Firestone Country Club in Akron, Ohio. Under clear blue skies, professional golfer David Duval, won the World Series of Golf Championship, ending this series of tournaments. A new format will be unveiled in 1999 with the NEC Invitational played at Firestone. Graybar will be a sponsor of this prestigious tournament and will host many customers at this event.

SQUARE D CHAMPION'S CLUB

In an awards ceremony at the Hyatt Grand Cypress Hotel in Orlando, Florida, the Graybar/Square D Champion's Club honored 26 new members in 1998 for their exemplary sales efforts in 1997. One Graybar and one Square D Sales Representative from each district received their awards from Carl Hall, Graybar President and CEO, and Charley Denny, Square D Chairman. Following the ceremony, the new Champion's Club members and their spouses were treated to a three-day cruise to the Bahamas.

NASCAR RACE

Graybar and Cooper Bussmann once again joined forces to sponsor the #12 Chevrolet Monte Carlo at the Carquest Autoparts 250 NASCAR race in the 2nd Annual Busch Grand National Series. Driving the #12 Chevrolet, Scott Hansen finished 16th in the race which was held October 17 at Gateway International Raceway in Madison, Illinois. The race was nationally televised and drew a large crowd, including over 250 Graybar/Bussmann customers.

GRAYBAR FINANCIAL SERVICES (GFS)

Our equipment leasing and financing subsidiary was completely restructured in 1998 to offer improved service and new financial products to our customers. A joint venture, called Graybar Financial Services, LLC, was formed with Newcourt Financial (formerly AT&T Capital).

Launched in June with a national press release, Graybar Financial Services, LLC introduced an exciting new look and slogan- "Financing, simplified." This fresh approach to leasing and financing emphasizes the simplified manner in which it is delivered.

The impact of new pricing and services resulted in a significant increase in leasing sales over 1997. GFS profit contribution to Graybar was the highest since its inception in 1989.

The joint venture with Newcourt Financial allowed us to introduce services over the Internet at Graybar's web site. Linked through Graybar's site to Newcourt's web site, a customer can now submit a lease application over the Internet and receive a credit response within one business day.

Customers can also get immediate quotes for monthly lease payments on any size installation, compare the advantages of leasing versus buying and, if qualified, establish a lease line of credit for fast and easy financing of their next system upgrade.

"Linked through Graybar's
site to Newcourt's web site,

a customer can now
submit a lease application
over the internet and
receive a credit response
within one business day."

[PHOTO]

The new counter promotion
concept- Promotions in a Box-
focuses on value-added
high margin products.

CUSTOMER SERVICE

In 1998 Graybar announced a National Customer Service Award program to recognize Customer Service Representatives who have demonstrated leadership and exemplary customer service over the course of each one-year award period. One candidate will be recommended from each district at the end of the award year. An annual ceremony will be held for the presentation of the "Excellence in Customer Service" awards.

CYCLE COUNTING OF INVENTORY

Following a successful two-year pilot, cycle counting procedures were implemented in all locations in preparation for eliminating annual physical inventory in 1999. The cycle count method requires assigned personnel in each location to count a certain number of items each day, eliminating end-of-the-year inventory. Customer service improves as a result of cycle counting. The process allows us to maintain more accurate inventory quantities throughout the year, and cycle counting eliminates the business interruption associated with the annual physical inventory.

[PHOTO]

CORPORATE PURCHASING

During 1998 replenishment planning was expanded to additional company locations, and the Dallas and Atlanta Zones were fully implemented. The Corporate Purchasing group also absorbed the purchasing of electrical products in the Atlanta and New York Districts. In preparation for the opening of the Fresno Zone in early 1999, the branch locations in the Phoenix and Seattle Districts were also added. At the end of 1998, Corporate Purchasing was planning approximately 500,000 stockkeeping units for the St. Louis, Dallas, Minneapolis, Atlanta, New York, Phoenix and Seattle Districts, comm/data products nationally, and the Dallas and Atlanta Zones.

In May 1998 some members of the Corporate Purchasing group participated with the District Purchasing Managers in a training seminar on negotiation skills. Also, training has been developed for Graybar for an extensive five-level certification process on the E3Trim(R) purchasing system. All corporate purchasing buyers are working to obtain E3Trim certification.

SUPPLIER ASSISTED INVENTORY MANAGEMENT (SAIM)

Nineteen ninety-eight marked the sixth year of our involvement with SAIM with five key suppliers. During this time, stocks have improved and returns of non-moving items have been easier to complete. One of the important benefits realized by distributors and manufacturers participating in SAIM is increased awareness of business issues faced by the other party. This understanding and openness leads to more effective problem solving on performance improvement and cost containment initiatives. Progress review meetings are held with all SAIM suppliers as needed, but at a minimum once per year. Monthly charts and graphs supplied by Graybar help track progress.

PRICE COST SERVICES

An automated process was implemented to update costs and supplier catalog information, eliminating manual verification and data entry. This electronic cost update process has been in development for several years. The Richmond, Cincinnati, Pittsburgh, New York, Seattle, and Phoenix Districts are now receiving transmissions from one of Graybar's major suppliers. Another major supplier has begun transmitting EDI transactions for the entire Graybar branch network. Automation eliminates discrepancies, redundant data entry and invoice deductions due to cost errors. Other benefits include more timely and accurate cost and item updates. Our pricing files remain in agreement with supplier files, and Graybar maintains audit control over the files. We plan to expand electronic price and cost updates with other suppliers.

WAREHOUSE MANAGEMENT SYSTEM

During 1998 the communications interface was developed for the transfer of information from the Graybar computer system to the Warehouse Management System (WMS). WMS utilizes a comprehensive software package to direct the flow of material within the warehouse. Additional resources have been added to the Installation Team to prepare for conversion at the zone facilities. Implementation will be coordinated by the Logistics Group and is scheduled to begin in June 1999 with a pilot at the Atlanta Zone.

SAFETY

Due to increased safety awareness, the Company's OSHA Incident Rate compares favorably to the industry average. The vehicle accident rate decreased by 9.3%, and lost workdays due to work-related injuries decreased by more than 16% from the previous year. The Cincinnati District earned the President's Safety Award for the lowest OSHA Incident Rate. New safety training requirements for all forklift operators were introduced to comply with the new OSHA requirements. Graybar has incorporated safety as a measurement in each location's Branch Review process.

An on-line database of Material Safety Data Sheets was developed in 1998. All hazardous materials were coded in the computer system to identify Department of Transportation hazardous classifications on shipping documents.

"Cycle counting procedures were implemented in all locations in preparation for eliminating annual physical inventory in 1999."

GENERAL OPERATIONS

During 1998 a new department was created within Operations to separate administrative functions from customer service. District Administrative Managers and Supervisors, Administration were appointed to assume responsibility for all Branch Administrators and the transaction processing they perform-transaction approvals and office services such as telephone services, mailroom and other clerical functions. The Managers of Customer Service, who previously had these responsibilities, will now focus totally on customer relations and improved service, personnel development, training and profitability in their respective locations.

NEW LOCATIONS OPENED IN 1998

Erie, Pennsylvania
Williston, Vermont (Burlington)
Fairbanks, Alaska
Dallas, Texas (Regional Zone)
Austell, Georgia (National Zone)

[PHOTO]

INFORMATION SYSTEMS

Many significant infrastructure changes were completed during the year, including a new mainframe computer system which was installed in the St. Louis data center in March. The new system provides increased capacity to support the Company's continued growth. Also, voice and data networks were improved with the addition of T1 access at 120 locations. More than 5,000 PCs were upgraded to Windows(R) 95 and checked for Year 2000 compliance. To address Year 2000 requirements, new high-speed network switches were installed, which significantly improved network speed.

GraybarNet,(R) our customer dial-in offering, was redesigned to accommodate Internet access. Customers can now access our system directly or via the World Wide Web if desired. GraybarNet will also provide access to our electronic catalog.

Year 2000 compliance efforts required substantial IS attention as everything from customer and supplier critical applications to the payroll and pension systems were reviewed and tested. We are currently reviewing all supplier and customer Year 2000 issues, which may require the development of contingency plans.

Graybar's e-mail system has become an integral part of our business. Daily messages now exceed 30,000 company-wide, with 20% delivered via the Internet.

Several large projects were started in 1998 including Central Accounts Payable, Warehouse Management, Logistics, General Ledger and Fixed Assets. These projects will require major efforts in 1999.

Graybar's 212,000 square foot
Regional and National Zone
located in Austell, Georgia,
opened in August.

FINANCIAL REVIEW

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FINANCIAL REVIEW

SELECTED CONSOLIDATED FINANCIAL DATA
(Stated in thousands except for per share data)

<CAPTION>

	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
SALES	$3,744,075	$3,348,496	$3,001,049	$2,774,368	$2,364,461
Less--Cash discounts	(11,872)	(10,474)	(9,637)	(9,578)	(8,839)
NET SALES	3,732,203	3,338,022	2,991,412	2,764,790	2,355,622
COST OF MERCHANDISE SOLD	(3,042,176)	(2,726,147)	(2,453,962)	(2,267,186)	(1,934,925)
INTEREST EXPENSE	(23,998)	(19,713)	(16,687)	(16,577)	(12,003)
PROVISION FOR INCOME TAXES					
Current	(37,167)	(29,750)	(28,599)	(23,426)	(15,225)
Deferred	(4,919)	(6,820)	(1,722)	(2,408)	1,251

Total provision for income taxes	(42,086)	(36,570)	(30,321)	(25,834)	(13,974)
NET INCOME	59,544	52,963	44,533	36,718	18,702
INCOME APPLICABLE TO COMMON STOCK	59,539	52,957	44,526	36,710	18,694
AVERAGE COMMON SHARES OUTSTANDING <FA>	5,305	5,549	5,714	5,486	5,628
INCOME PER SHARE OF COMMON STOCK <FA>	11.22	9.54	7.79	6.69	3.32
Cash dividends per share	2.00	2.00	2.00	2.00	2.00
RETAINED EARNINGS					
Balance, beginning of year	149,226	115,218	84,801	57,081	52,486
Add--Net income	59,544	52,963	44,533	36,718	18,702
	208,770	168,181	129,334	93,799	71,188
Less dividends					
Preferred ($1.00 per share)	(5)	(6)	(7)	(8)	(8)
Common (in cash)	(10,031)	(9,576)	(9,480)	(8,990)	(8,729)
Common (in stock)	(4,896)	(9,373)	(4,629)	--	(5,370)
	(14,932)	(18,955)	(14,116)	(8,998)	(14,107)
Balance, end of year	193,838	149,226	115,218	84,801	57,081
Proceeds on stock subscriptions, shares unissued	--	37	52	--	39
STOCK OUTSTANDING					
Preferred	108	119	143	150	164
Common	103,690	103,749	98,321	89,206	91,859
	297,636	253,131	213,734	174,157	149,143
Accumulated other comprehensive income	(836)	--	--	--	--
TOTAL SHAREHOLDERS' EQUITY	296,800	253,131	213,734	174,157	149,143
TOTAL ASSETS	1,167,847	1,051,821	881,636	823,280	719,786
LONG-TERM DEBT	$ 269,570	$ 139,748	$ 151,659	$ 91,257	$ 90,212

<FN>
<FA> Adjusted for the declaration of 5%, 10%, 5% and 6.25% stock dividends in 1998, 1997, 1996 and 1994, respectively. Prior to adjusting for the stock dividends, the average common shares outstanding for 1997, 1996, 1995 and 1994 were 4,805,4,712, 4,524 and 4,368, respectively.
</TABLE>

This summary should be read in conjunction with the consolidated financial statements and related notes thereto included elsewhere in this annual report.

FINANCIAL REVIEW

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

(Stated in thousands except for share and per share data)

RESULTS OF OPERATIONS

1998 COMPARED TO 1997

Net sales in 1998 were 11.8% higher than in 1997. The higher net sales resulted from improvements in the market sectors of the economy in which the Company operates. The impact of inflation on sales and cost of sales was not significant in 1998.

Gross margin in 1998 increased $78,152 (12.8%) compared to 1997 primarily due to the increased sales in the electrical and communications markets.

The increase in selling, general and administrative expenses in 1998 compared to 1997 occurred largely because of adjustments in personnel complement and adjustments in compensation and related expenses.

Interest expense increased in 1998 compared to 1997 primarily due to increased levels of borrowing incurred to finance higher aggregate levels of inventory and receivables. Interest rates on 1998 short-term borrowings were slightly lower than for the same period in 1997.

Other income includes gains on sale of property of $808 and $2,280 in 1998 and 1997, respectively.

The combined effect of the increases in gross margin and other income, together with the increases in selling, general and administrative expenses, interest expense and depreciation and amortization, resulted in an increase in income before provision for income taxes of $12,097 in 1998 compared to 1997.

1997 COMPARED TO 1996

Net sales in 1997 were 11.6% higher than in 1996. The higher net sales resulted from improvements in the market sectors of the economy in which the Company operates. The impact of inflation on sales and cost of sales was not significant in 1997.

Gross margin in 1997 increased $74,425 (13.8%) compared to 1996 primarily due to the increased sales in the electrical and communications markets.

The increase in selling, general and administrative expenses in 1997 compared to 1996 occurred largely because of adjustments in personnel complement and adjustments in compensation and related expenses.

Interest expense increased in 1997 compared to 1996 primarily due to increased levels of borrowing incurred to finance higher aggregate levels of inventory and receivables. Interest rates on 1997 short-term borrowings were slightly higher than for the same period in 1996.

Other income includes gains on sale of property of $2,280 and $7,313 in 1997 and 1996, respectively.

The combined effect of the increase in gross margin and the decrease in other income, together with the increases in selling, general and administrative expenses, interest expense and depreciation and amortization, resulted in an increase in income before provision for income taxes of $14,679 in 1997 compared to 1996.

1996 COMPARED TO 1995

Net sales in 1996 were 8.2% higher than in 1995. The higher net sales resulted from improvements in the market sectors of the economy in which the Company operates. The impact of inflation on sales and cost of sales was not significant in 1996.

Gross margin in 1996 increased $39,846 (8.0%) compared to 1995 primarily due to the increased sales in the electrical and communications markets.

The increase in selling, general and administrative expenses in 1996 compared to 1995 occurred largely because of adjustments in personnel complement and adjustments in compensation and related expenses.

Interest expense increased slightly in 1996 compared to 1995 primarily due to increased levels of borrowing incurred to finance higher aggregate levels of inventory and receivables. Interest rates on 1996 short-term borrowings were generally lower than for the same period in 1995.

Other income includes gains on sale of property of $7,313 and $2,055 in 1996 and 1995, respectively.

The combined effect of the increases in gross margin and other income, together with the increases in selling, general and administrative expenses, interest expense and depreciation and amortization, resulted in an increase in income before provision for income taxes of $12,302 in 1996 compared to 1995.

FINANCIAL CONDITION AND LIQUIDITY

The financial condition of the Company continues to be strong. At December 31, 1998 current assets exceeded current liabilities by $400,850, up $169,227 from December 31, 1997. The current assets at December 31, 1998 were sufficient to meet the cash needs required to pay current liabilities. The substantial increases in accounts receivable and merchandise inventory resulted primarily from the growth in sales experienced by the Company. While the average number of days of sales in accounts receivable has remained relatively stable during 1998 and 1997, inventory turnover has decreased slightly during that same period. The decrease in inventory turnover is due largely to a company-wide customer service and logistics project to redeploy inventory into a system of national zones, regional zones and branch locations. Although the project objective is to provide better customer service and reduce overall costs, management expected some temporary inventory increase, unrelated to sales volume, during the transition to the new system. This transition to the new customer service and logistics system is planned to be complete by the end of the year 2000. This temporary increase in inventory investment is partially offset by a corresponding increase in trade accounts payable. The Company does not have any other plans or commitments that would require significant amounts of additional working capital.

At December 31, 1998 the Company had available to it unused lines of credit amounting to $280,000. These lines are available to meet short-term cash requirements of the Company. Bank borrowings outstanding during 1998 and 1997 varied from a minimum of $19,000 and $65,000 to a maximum of $211,655 and $181,000, respectively.

FINANCIAL REVIEW

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

(Stated in thousands except for share and per share data)

Included in the Company's unused lines of credit is a $125,000 Revolving Credit Loan Agreement with a group of banks at an interest rate based on the London Interbank Offered Rate. The credit agreement expires in May 2003. The Company intends to utilize this credit line primarily as a secondary source of borrowing for short-term financing requirements. There have been no borrowings against this credit line through December 31, 1998.

The Company has funded its capital requirements from operations, stock issuances to its employees and long-term debt. In January 1998 the Company received the proceeds from a seven-year note for $25,000 at a fixed interest rate of 6.44% with principal payable in quarterly installments beginning in April 1998. In April 1998 the Company received the proceeds from a fifteen-year note for $75,000 at a fixed interest rate of 6.59% with principal payable in semiannual installments beginning in October 2003. In June 1998 the Company received the proceeds from a fifteen-year note for $40,000 at a fixed interest rate of 6.65% with principal payable in annual installments beginning in June 2003.

The Revolving Credit Loan Agreement and certain other note agreements have various covenants which limit the Company's ability to make investments, pay dividends, incur debt, dispose of property, and issue equity securities. The Company is also required to maintain certain financial ratios as defined in the agreements.

Cash provided by operations during 1998 amounted to $3,585 compared to $10,809 cash provided by operations in 1997. Cash provided from the sale of common stock and proceeds received on stock subscriptions amounted to $300 and $875 in 1998 and 1997, respectively. Additional cash of approximately $14,320 will be provided in 1999 as a result of payments to be made for stock subscribed to by employees under the 1998 Common Stock Purchase Plan.

Capital expenditures for property were $28,977, $27,342 and $44,865 for the years ended December 31, 1998, 1997 and 1996, respectively. Purchases of treasury stock were $5,303, $4,859 and $3,471 for the years ended December 31, 1998, 1997 and 1996, respectively. Dividends paid were $9,802, $9,550 and $9,188 for the years ended December 31, 1998, 1997 and 1996, respectively.

IMPACT OF YEAR 2000

In early 1996 the Company began its review and analysis of the Year 2000 issues and the potential risks to our operations. Modifications to our existing internal software began in 1996 and continue to be made. A full-time senior manager of the Company was appointed in January 1998 to oversee all of the analytical and remedial projects connected with the Year 2000. The Company has also used independent consultants to assist the Company with its Year 2000 readiness efforts.

The Company believes that with modifications to existing internal software and conversions to new software, the Year 2000 will not pose significant problems for all of its systems, including its accounting, management information, warehouse and administrative systems. However, if such modifications and conversions are not completed in a timely manner, the Year 2000 could have a material impact on the operations of the Company.

Communications have been initiated by the Company with over 600 suppliers of products and large customers to determine the extent to which the interface between their systems and the Company's systems are vulnerable to those parties' failures to remediate their own Year 2000 issues. Most responses relating to products indicated Year 2000 compliance for the specific product. A significant number of the responses indicated that Year 2000 analytical studies were in process for both internal systems and some products. The Company's total Year 2000 project schedule and cost estimates to complete include the estimated costs and time associated with the impact of supplier and customer Year 2000 issues based on currently available information. However, there can be no guarantee that the systems of these companies on which the Company's systems rely will be modified in a timely manner so there will not be an adverse impact on the Company's business. Contingency plans will be developed on a case-by-case basis for suppliers or customers where a problem is identified that cannot be remedied in time.

Contingency plans may involve alternate means of communications for electronic data interchange suppliers and customers or an alternate source of supply in the case of a supplier or a specific product.

The Company has and will continue to utilize both internal and external resources to reprogram, or replace, and test the software for Year 2000 modifications. Communications will continue with customers and suppliers to identify any potential problems requiring contingency plans. The Company anticipates completing the Year 2000 project by September 30, 1999, although some additional testing will continue after that date. The Year 2000 projects will be funded through operating cash flows and expensed as incurred. The project costs have not had and are not expected to have a material impact on the results of operations.

The costs of the project and the date on which the Company believes it will complete the Year 2000 modifications are based on management's best estimates, which were derived utilizing numerous assumptions of future events, including the continued availability of certain resources, third party modification plans and other factors. However, there can be no guarantee that these estimates will be achieved and actual results could differ materially from those anticipated. Specific factors that might cause such material differences include, but are not limited to, the availability and cost of personnel trained in this area, the ability to locate and correct all relevant computer codes, and similar uncertainties.

<TABLE>

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
(Stated in thousands except for share and per share data)

<CAPTION>

FOR THE YEARS ENDED DECEMBER 31,	1998	1997	1996
<S>	<C>	<C>	<C>
SALES, NET OF RETURNS AND ALLOWANCES	$ 3,744,075	$ 3,348,496	$ 3,001,049
Less--Cash discounts	(11,872)	(10,474)	(9,637)
Net Sales	3,732,203	3,338,022	2,991,412
COST OF MERCHANDISE SOLD	(3,042,176)	(2,726,147)	(2,453,962)
Gross Margin	690,027	611,875	537,450
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	(513,193)	(456,686)	(409,259)
TAXES, OTHER THAN INCOME TAXES	(32,415)	(29,523)	(26,922)
DEPRECIATION AND AMORTIZATION	(25,809)	(22,285)	(19,862)
Income from operations	118,610	103,381	81,407
OTHER INCOME, NET	7,018	5,865	10,134
INTEREST EXPENSE	(23,998)	(19,713)	(16,687)
INCOME BEFORE PROVISION FOR INCOME TAXES	101,630	89,533	74,854
PROVISION FOR INCOME TAXES			
Current	(37,167)	(29,750)	(28,599)
Deferred	(4,919)	(6,820)	(1,722)
Total provision for income taxes	(42,086)	(36,570)	(30,321)
NET INCOME	59,544	52,963	44,533
RETAINED EARNINGS, BEGINNING OF YEAR	149,226	115,218	84,801
Cash dividends-			
Preferred, $1.00 per share each year	(5)	(6)	(7)
Common, $2.00 per share each year	(10,031)	(9,576)	(9,480)
Common Stock dividend	(4,896)	(9,373)	(4,629)
RETAINED EARNINGS, END OF YEAR	$ 193,838	$ 149,226	$ 115,218
NET INCOME PER SHARE OF COMMON STOCK	$ 11.22	$ 9.54	$ 7.79

See accompanying Notes to Consolidated Financial Statements
</TABLE>

<TABLE>

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

<CAPTION>

(Stated in thousands except for share and per share data)	December 31, 1998	1997
<S>	<C>	<C>
ASSETS		
CURRENT ASSETS		
Cash	$ 20,252	$ 18,523
Trade receivables (less allowances of $4,783 and $4,627, respectively)	460,016	402,455
Merchandise inventory	440,406	389,314
Other current assets	3,945	2,973
Total current assets	924,619	813,265
PROPERTY, AT COST		
Land	21,550	22,868
Buildings	174,736	167,654
Furniture and fixtures	123,044	113,854
Capital equipment leases	26,682	26,138
	346,012	330,514
Less--Accumulated depreciation and amortization	142,934	136,485
	203,078	194,029
DEFERRED INCOME TAXES	8,105	9,639
OTHER ASSETS	32,045	34,888
	$1,167,847	$1,051,821
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes payable to banks	$ 43,948	$ 136,925
Current portion of long-term debt	16,475	15,059
Trade accounts payable	344,869	326,969
Accrued payroll and benefit costs	44,466	41,924
Other accrued taxes	12,439	10,663
Dividends payable	5,479	5,246
Other payables and accruals	56,093	44,856
Total current liabilities	523,769	581,642
POSTRETIREMENT BENEFITS LIABILITY	77,708	77,300
LONG-TERM DEBT	269,570	139,748

<CAPTION>

	Shares at December 31, 1998	1997		
<S>	<C>	<C>	<C>	<C>
SHAREHOLDERS' EQUITY				
Capital stock-				
Preferred, par value $20 per share, authorized 300,000 shares--				
Issued to shareholders	5,386	6,009		
In treasury, at cost	--	(58)		
Outstanding	5,386	5,951	108	119
Common, stated value $20 per share,				
Authorized	7,500,000	7,500,000		
Issued to voting trustees	4,883,638	4,883,162		
Issued to shareholders	326,586	323,434		
In treasury, at cost	(25,706)	(19,124)		
Outstanding	5,184,518	5,187,472	103,690	103,749
Common shares subscribed			15,564	493
Retained earnings			193,838	149,226
Accumulated other comprehensive income			(836)	--

	312,364	253,587
Less--Subscriptions receivable	15,564	456
TOTAL SHAREHOLDERS' EQUITY	296,800	253,131
	$1,167,847	$1,051,821

See accompanying Notes to Consolidated Financial Statements
</TABLE>

<TABLE>
CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Stated in thousands)

<CAPTION>

FOR THE YEARS ENDED DECEMBER 31,	1998	1997	1996
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATIONS			
Net Income	$ 59,544	$ 52,963	$ 44,533
Adjustments to reconcile net income to cash provided by operations -			
Depreciation and amortization	25,809	22,285	19,862
Deferred income taxes	4,919	6,820	1,722
Gain on sale of property	(808)	(2,280)	(7,313)
Changes in assets and liabilities:			
Trade receivables	(57,561)	(50,117)	1,909
Merchandise inventory	(51,092)	(80,186)	(42,053)
Other current assets	(972)	3,224	476
Other assets	(6,728)	(4,232)	(2,143)
Trade accounts payable	17,900	48,832	(3,851)
Accrued payroll and benefit costs	2,542	6,001	(1,427)
Other accrued liabilities	10,032	7,499	24,871
	(55,959)	(42,154)	(7,947)
Net cash flow provided by operations	3,585	10,809	36,586
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property	4,892	5,364	10,497
Capital expenditures for property	(28,977)	(27,342)	(44,865)
Investment in joint venture	9,571	(14,134)	--
Other	--	(2,275)	--
Net cash flow used by investing activities	(14,514)	(38,387)	(34,368)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase (decrease) in notes payable to banks	(92,977)	61,966	(62,272)
Proceeds from long-term debt	140,000	--	72,000
Repayment of long-term debt	(14,664)	(11,748)	(10,387)
Principal payments under capital equipment leases	(4,060)	(4,403)	(4,115)
Sale of common stock	300	875	8,002
Purchases of treasury stock	(5,303)	(4,859)	(3,471)
Dividends paid	(9,802)	(9,550)	(9,188)
Net cash flow provided (used) by financing activities	13,494	32,281	(9,431)
Effect of currency translation adjustments on cash	(836)	--	--
NET INCREASE (DECREASE) IN CASH	1,729	4,703	(7,213)
CASH, BEGINNING OF YEAR	18,523	13,820	21,033
CASH, END OF YEAR	$ 20,252	$ 18,523	$ 13,820

See accompanying Notes to Consolidated Financial Statements
</TABLE>

<TABLE>

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996
(Stated in thousands except for share and per share data)

<CAPTION>

	COMMON STOCK	PREFERRED STOCK	COMMON STOCK SUBSCRIBED, UNISSUED	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>
December 31, 1995	$ 89,206	$ 150	$	$ 84,801	$	$174,157
Net income and comprehensive income				44,533		44,533
Stock issued	7,950					7,950
Stock redeemed	(3,464)	(7)				(3,471)
Advance payments			52			52
Dividends declared	4,629			(14,116)		(9,487)
December 31, 1996	$ 98,321	$ 143	$ 52	$115,218	$	$213,734
Net income and comprehensive income				52,963		52,963
Stock issued	890					890
Stock redeemed	(4,835)	(24)				(4,859)
Advance payments			(15)			(15)
Dividends declared	9,373			(18,955)		(9,582)
December 31, 1997	$103,749	$ 119	$ 37	$149,226	$	$253,131
Net income				59,544		59,544
Currency translation adjustments					(836)	(836)
Comprehensive income						58,708
Stock issued	337					337
Stock redeemed	(5,292)	(11)				(5,303)
Advance payments			(37)			(37)
Dividends declared	4,896			(14,932)		(10,036)
DECEMBER 31, 1998	$103,690	$ 108	$ 0	$193,838	$ (836)	$296,800

See accompanying Notes to Consolidated Financial Statements
</TABLE>

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996
(Stated in thousands except for share and per share data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Graybar Electric Company, Inc. and its subsidiary companies. All significant intercompany balances and transactions have been eliminated.

REVENUE RECOGNITION

Revenue from the sale of the Company's products is recognized upon shipment to the customer. Costs of the products are recorded as cost of merchandise sold when the related revenue is recognized.

ESTIMATES

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, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

MERCHANDISE INVENTORY

Inventory is stated at the lower of cost (determined using the last-in, first-out (LIFO) cost method) or market. LIFO accounting is generally a conservative method of accounting that, compared with other inventory accounting methods, provides better matching of current costs with current revenues. Had the first-in, first-out (FIFO) method been used, inventory would have been approximately $17,490 and $28,993 greater than reported under the LIFO method at December 31, 1998 and 1997, respectively.

PROPERTY AND DEPRECIATION

The Company provides for depreciation and amortization using the straight-line method over the following estimated useful lives of the assets:

Buildings	42 years
Permanent fixtures--leased property	Over the lives of the respective leases
Furniture, fixtures and equipment	4 to 14 years
Capital equipment leases	Over the lives of the respective leases

At the time property is retired, or otherwise disposed of, the asset and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is credited or charged to other income.

Equipment under capital leases is recorded in property with the corresponding obligations carried in long-term debt. The amount capitalized is the present value at the beginning of the lease term of the aggregate future minimum lease payments.

Maintenance and repairs are expensed as incurred. Major renewals and betterments that extend the life of the property are capitalized.

The Company capitalizes interest expense on major construction and development projects while in progress.

DESCRIPTION OF BUSINESS AND CREDIT RISK

Graybar Electric Company, Inc. is engaged internationally in the distribution of electrical and communications products and integrated supply services primarily to contractors, industrial plants, telephone companies, power utilities, and commercial users. All products sold by the Company are purchased by the Company from others.

Financial instruments which potentially expose the Company to concentrations of credit risk consist primarily of trade accounts receivable. The Company's business activity is primarily with customers in the United States; however, the Company has limited sales activity in several international locations. The Company performs ongoing credit evaluations of its customers, and a significant portion of trade receivables is secured by lien or bond rights. The Company maintains allowances for potential credit losses, and such losses historically have been within management's expectations.

COMPREHENSIVE INCOME

Effective January 1, 1998, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income." Comprehensive income is reported in the Consolidated Statements of Changes in Shareholders' Equity.

PENDING ACCOUNTING PRONOUNCEMENTS

In March 1998 the American Institute of Certified Public Accountants issued Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." The Company plans to adopt the SOP on January 1, 1999. The SOP requires capitalization of certain internal and external costs incurred after the date of adoption in connection with developing or obtaining software for internal use. The Company currently expenses internal costs as incurred. The Company is evaluating the impact of adoption of the SOP, but does not expect the effect to be material to its results.

CONSOLIDATED FINANCIAL STATEMENTS

2. INCOME TAXES

The provisions for income taxes recorded in the Consolidated Statements of Income and Retained Earnings are as follows:

Years Ended December 31:	1998	1997	1996
Federal income tax			
Current	$32,442	$26,248	$25,057
Deferred	4,212	5,669	1,543
State income tax			
Current	4,725	3,502	3,542
Deferred	707	1,151	179
Financial statement income tax provision	$42,086	$36,570	$30,321

Deferred income taxes are provided based upon differences between the financial statement and tax bases of assets and liabilities. The following deferred tax assets (liabilities) are recorded at December 31:

Assets/(Liabilities)	1998	1997
Postretirement benefits	$ 30,734	$ 30,572
Payroll accruals	6,929	6,416
Bad debt reserves	1,909	2,605
Other deferred tax assets	7,957	6,828
Inventory	(2,591)	(1,387)
Prepaid pension	(7,061)	(5,124)
Fixed asset depreciation	(12,861)	(13,209)
Fixed asset gains	(6,287)	(6,052)
Accounts receivable	(2,169)	(2,892)
Other deferred tax liabilities	(14,348)	(10,622)
	$ 2,212	$ 7,135

Deferred tax liabilities included in Other Payables and Accruals were $5,893 and $2,504 in 1998 and 1997, respectively.

A reconciliation between the "statutory" federal income tax rate and the effective tax rate in the Consolidated Statements of Income and Retained Earnings is as follows:

Years Ended December 31:	1998	1997	1996
"Statutory" tax rate	35.0%	35.0%	35.0%
State and local income taxes, net of federal benefit	3.4	3.4	3.3
Other, net	3.0	2.4	2.2
Effective tax rate	41.4%	40.8%	40.5%

3. CAPITAL STOCK

The Company's capital stock is owned by its employees and retirees. Neither common nor preferred stock may be sold by the holder thereof, except by first offering it to the Company. The Company may buy any common shares so offered at the price at which they were issued ($20) with appropriate adjustments for current dividends or may call all or part of the preferred stock at par plus accrued dividends.

During 1998 the Company offered to eligible employees the right to subscribe to 1,000,000 shares of common stock at $20 per share in accordance with the provisions of the Company's Common Stock Purchase Plan dated October 12, 1998. This resulted in the subscription of 778,202 shares ($15,564). Subscribers under the Plan elected to make payments under one of the following options: (i) all shares subscribed for prior to January 22, 1999; (ii) a portion of such shares prior to January 22, 1999, and the balance in monthly installments through payroll deductions (or in certain cases where a subscriber is no longer on the Company's payroll, through pension deductions or direct monthly payments) over a 34-month period; or (iii) all shares pursuant to the installment method. Shares were issued and Voting Trust Certificates were delivered to subscribers as of January 22, 1999, in the case of shares paid for prior to January 22, 1999. Shares will be issued and Voting Trust Certificates will be delivered to subscribers on a quarterly basis, as of the tenth day of March, June, September and December to the extent full payments of shares are made in the case of subscriptions under the installment method.

Shown below is a summary of shares reacquired and retired by the Company in the three years ended December 31:

	PREFERRED		COMMON	
	REACQUIRED	RETIRED	REACQUIRED	RETIRED
1998	565	623	264,580	257,998
1997	1,190	1,132	241,764	242,675
1996	363	363	173,173	165,569

4. LONG-TERM DEBT

LONG-TERM DEBT WAS COMPOSED OF:	DECEMBER 31, 1998	1997
6.59% note, unsecured, due in semiannual installments of $3,750 beginning in October 2003 through April 2013	$ 75,000	$ 0
7.36% note, unsecured, maturing May 2011, installments of $3,095 due semiannually in each of the years 2001 through 2010 with final payment of $3,094 due in 2011	65,000	65,000
6.65% note, unsecured, due in annual installments of $3,636 in each of the years 2003 through 2013	40,000	0
6.25% note, unsecured, maturing June 2004, installments of $7,000 due annually in each of the years 2000 through 2004	35,000	35,000
6.44% note, unsecured, due in quarterly installments of $893 through January 2005	18,750	0
9.23% note secured by a first mortgage on various properties, maturing May 2005, installments of $2,725 due annually in each of the years 1995 through 2004 with final payment of $2,750 due in 2005	16,375	19,100
4.78% to 7.93% capital equipment leases, various maturities	8,448	3,929
7.74% note, secured by facility, due		

in quarterly installments through August 2006	4,725	5,425
7.75% note, secured by facility, due in quarterly installments through March 2005	2,100	2,500
7.67% note, unsecured, maturing April 2000, installments of $2,000 due annually in each of the years 1996 through 2000	2,000	4,000
Variable rate mortgages, secured by facilities, various maturities	1,649	1,914
Variable rate banker's acceptances, unsecured, various maturities	523	1,119
12.25% note secured by a first mortgage on various properties, due in monthly installments through June 1999	0	1,761
	$269,570	$139,748

</TABLE>

<TABLE>
<CAPTION>
LONG-TERM DEBT MATURES AS FOLLOWS:

<S>	<C>
2000	$ 19,248
2001	22,635
2002	22,761
2003	30,795
2004-2013	174,131
	$269,570

</TABLE>

The present value of future minimum lease payments under capital leases as of December 31, 1998 was $12,959, of which $8,448 is included in long-term debt. The net book value of property securing various long-term debt instruments was $27,443 at December 31, 1998.

Bank borrowings varied from a minimum of $19,000 and $65,000 to a maximum of $211,655 and $181,000 in 1998 and 1997, respectively. The average amount of bank borrowings outstanding during 1998 and 1997 amounted to approximately $98,000 and $122,000 at weighted average interest rates of 5.67% and 5.72%, respectively. The averages are based on the daily amounts outstanding during each year.

In January 1998 the Company received the proceeds from a seven-year note for $25,000 at a fixed interest rate of 6.44% with principal payable in quarterly installments beginning in April 1998. In April 1998 the Company received the proceeds from a fifteen-year note for $75,000 at a fixed interest rate of 6.59% with principal payable in semiannual installments beginning in October 2003. In June 1998 the Company received the proceeds from a fifteen-year note for $40,000 at a fixed interest rate of 6.65% with principal payable in annual installments beginning in June 2003.

The Company had unused lines of credit of approximately $280,000 as of December 31, 1998. Certain lines require maintenance of compensating balances of up to 5% of the available lines of credit or quarterly fees of up to twenty-five basis points of the committed lines of credit. Included in these unused lines of credit is a $125,000 Revolving Credit Loan Agreement with a group of banks at an interest rate based on the London Interbank Offered Rate. The credit agreement expires in May 2003. There have been no borrowings against this credit line through December 31, 1998.

The Revolving Credit Loan Agreement and certain other note agreements have various covenants which limit the Company's ability to make investments, pay dividends, incur debt, dispose of property, and issue equity securities. The Company is also required to maintain certain financial ratios as defined in the agreements.

The carrying amounts of the Company's outstanding long-term debt and notes payable to banks approximate their fair values at December 31, 1998.

5. PENSION AND OTHER POSTRETIREMENT BENEFITS

The Company has a noncontributory defined benefit pension plan covering substantially all full-time employees. The plan provides retirement benefits based on an employee's final average earnings and years of service. Employees become 100% vested after five years of service, regardless of age. The Company's funding policy is to contribute the net periodic pension cost accrued each year, provided that the contribution will not be less than the ERISA minimum or greater than the maximum tax deductible amount.

The Company and its subsidiaries provide certain health care and life insurance benefits for retired employees through the Retiree Welfare Plan (the Plan). Substantially all of the Company's employees may become eligible to participate in the Plan if they reach normal retirement age while working for the Company. Benefits are provided through insurance coverage with premiums based on the benefits paid during the year. The Company funds the Plan on a pay-as-you-go basis, and accordingly, the Plan has no assets at December 31, 1998 or 1997.

The following table sets forth information regarding the Company's pension and other postretirement benefits as of December 31, 1998 and 1997:

	Pension Benefits		Postretirement Benefits	
	1998	1997	1998	1997
Accumulated benefit obligation	$116,000	$101,500	$ 90,000	$ 87,800
Projected benefit obligation	151,300	135,000	--	--
Fair value of plan assets	122,133	110,251	--	--
Funded status	(29,167)	(24,749)	(90,000)	(87,800)
Prepaid (accrued) benefit cost recognized in the balance sheet	$ 17,705	$ 10,635	$(77,708)	$(77,300)

Weighted average assumptions as of December 31 are:

	Pension Benefits		Postretirement Benefits	
	1998	1997	1998	1997
Discount rate	6.75%	7.25%	6.75%	7.25%
Expected return on plan assets	9.50%	9.50%	--	--
Rate of compensation increase	4.00%	4.25%	--	--
Health care cost trend on covered charges	--	--	6.00%	6.50%

The following presents information regarding the plans for the years ended December 31, 1998 and 1997:

	Pension Benefits		Postretirement Benefits	
	1998	1997	1998	1997
Employer contributions	$ 13,953	$ 9,492	$ 7,211	$ 6,521
Participant contributions	--	--	180	146

Benefits paid	$(10,723)	$(9,165)	$(7,391)	$(6,667)

</TABLE>

The net periodic cost recognized for the defined benefit pension plan was $6,883, $6,112 and $5,981 for each of the three years ended December 31, 1998, 1997 and 1996, respectively.

The net periodic cost recognized for the postretirement benefit plan was $6,811, $6,817 and $6,763 for each of the three years ended December 31, 1998, 1997 and 1996, respectively.

For measurement of the net periodic postretirement benefit cost, a 6.5% annual rate of increase in per capita cost of covered health care benefits was assumed for 1998 with the rate assumed to remain at that level.

The Company also provides a defined contribution profit sharing and savings plan covering substantially all of its full-time employees. Annual contributions by the Company to the plan are at the discretion of management and are generally determined based on the profitability of the Company. Employees may also contribute to the plan subject to limitations imposed by federal tax law and ERISA.

6. NET INCOME PER SHARE OF COMMON STOCK

The computation of net income per share of common stock is based on the weighted average number of common shares outstanding during each year. The average numbers of shares used in computing net income per share of common stock were 5,304,646, 5,549,325 and 5,714,458 in 1998, 1997 and 1996, respectively, adjusted for the declaration of 5%, 10% and 5% stock dividends in 1998, 1997 and 1996, respectively.

7. COMMITMENTS

Rental expense was $16,372, $12,673 and $10,119 in 1998, 1997 and 1996, respectively.

Future minimum rental payments required under operating leases that have either initial or remaining noncancellable lease terms in excess of one year as of December 31, 1998 are as follows:

<TABLE>
<CAPTION>

YEARS ENDING DECEMBER 31:	
<S>	<C>
1999	$18,003
2000	13,700
2001	9,823
2002	6,270
2003	4,502
Subsequent to 2003	16,432

</TABLE>

8. STATEMENTS OF CASH FLOWS

During 1998, 1997 and 1996 income taxes paid totaled $36,602, $26,773 and $31,468; interest paid totaled $22,349, $19,834 and $16,252; and liabilities assumed in connection with capitalized leases totaled $9,962, $0 and $4,500, respectively.

The 1997 statement of cash flows includes the effect of the Company's majority ownership position in Harris & Roome Supply Limited as a result of additional shares purchased in May 1997.

REPORT OF INDEPENDENT AUDITORS

[LOGO] ERNST & YOUNG LLP
Gateway One
Suite 1400
701 Market Street
St. Louis, Missouri 63101
Phone: 314-259-1000

Report of Independent Auditors

To the Shareholders and

the Board of Directors
Graybar Electric Company, Inc.

We have audited the accompanying consolidated balance sheets of Graybar Electric Company, Inc. as of December 31, 1998 and 1997, and the related consolidated statements of income and retained earnings, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1998. 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, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Graybar Electric Company, Inc. at December 31, 1998 and 1997, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

/s/ Ernst & Young LLP

February 19, 1999

DISTRICT MANAGEMENT AS OF JANUARY 1, 1999

NEW YORK DISTRICT

Frank Mossa
Vice President

[PHOTO]

Keith E. Davis
Operating Manager

James (Chip) Bateman
Financial Manager

BOSTON DISTRICT

William L. King
Vice President

[PHOTO]

Donald M. Block
Sales Manager

Gerald G. Pollick
Operating Manager

Joseph P. Peduto
Financial Manager

PITTSBURGH DISTRICT

Steven M. Schooley
Vice President

[PHOTO]

Wade V. Leidecker
Sales Manager

C. Robert Smith
Operating Manager

Peter M. Wingrove
Financial Manager

CINCINNATI DISTRICT

Kenneth L. Netherton
Vice President

[PHOTO]

James D. Hooper
Sales Manager

J. William Grindle
Operating Manager

Stephen C. Beckmann
Financial Manager

ATLANTA DISTRICT

D. Steven Smith
Vice President

[PHOTO]

Bertie M. Wilson
Operating Manager

Darrel D. Schilling
Financial Manager

RICHMOND DISTRICT

Thomas S. Gurganous
Vice President

[PHOTO]

J. Wayne Andrews
Sales Manager

Wallace H. Hancock
Sales Manager

T. N. (Nick) Fleming
Operating Manager

David E. Metz
Financial Manager

TAMPA DISTRICT

Michael W. Fowler
Vice President

[PHOTO]

Robert C. Lyons
Sales Manager

Robert D. Wombacher
Operating Manager

Richard C. Hird

Financial Manager

CHICAGO DISTRICT

Richard A. Cole
Vice President

[PHOTO]

Thomas E. Walsh
Sales Manager

John C. Fischer
Operating Manager

Martin J. Beagen
Financial Manager

MINNEAPOLIS DISTRICT

Robert L. Nowak
Vice President

[PHOTO]

Terrence J. Innes
Sales Manager

Christopher O. Olsen
Operating Manager

Thomas E. Kinate
Financial Manager

ST. LOUIS DISTRICT

Thomas F. Williams
Vice President

[PHOTO]

John P. Mills
Operating Manager

Reiders L. Abel
Financial Manager

DALLAS DISTRICT

Lawrence R. Giglio
Vice President

[PHOTO]

Peter J. Roettinger
Sales Manager

Francis B. Roderick
Sales Manager

Thomas T. Townsend
Operating Manager

George D. Zackey
Financial Manager

SEATTLE DISTRICT

John C. Loff
Vice President

[PHOTO]

Larry T. Christensen
Sales Manager

T. Peter Girard, Jr.
Operating Manager

Randall R. Harwood
Financial Manager

PHOENIX DISTRICT

Gary D. Hodges
Vice President

[PHOTO]

Richard A. Mitchell
Sales Manager

Michael D. Gaines
Operating Manager

Ronald J. Grabar
Financial Manager

NORTHEASTERN COMM/DATA DISTRICT

Gerard J. McCrea
Vice President

[PHOTO]

SOUTHEASTERN COMM/DATA DISTRICT

Richard D. Offenbacher
Vice President

[PHOTO]

CENTRAL COMM/DATA DISTRICT

Alan L. Eddings
Vice President

[PHOTO]

WESTERN COMM/DATA DISTRICT

Kenneth B. Sparks
Vice President

[PHOTO]

LOCATIONS AS OF JANUARY 1, 1999

CORPORATE OFFICE

34 North Meramec Avenue
St. Louis, Missouri 63105
314 512-9200

NEW YORK DISTRICT

21-15 Queens Plaza North
Long Island City,
New York 11101
718 392-2000

BRANCHES
New York: Manhattan,
Rochester, Albany, Syracuse,
Hauppauge, Buffalo, Jericho
New Jersey: Newark,
North Brunswick, Teterboro,
Hackettstown, Parsippany,
Wanamassa, Hamilton

INFORMATION SYSTEMS
11828 Lackland Road
St. Louis, Missouri 63146
314 569-0006

PITTSBURGH DISTRICT
----

900 Ridge Avenue
Pittsburgh, Pennsylvania
15212
412 323-5200

BRANCHES
Ohio: Youngstown, Cleveland,
Akron, Canton, Mansfield
Pennsylvania: Greensburg,
Harrisburg, Allentown,
Philadelphia, Erie
West Virginia: Wheeling
Delaware: New Castle

MID-ATLANTIC ZONE
SERVICE CENTER
2124 Avenue "C"
Bethlehem, Pennsylvania 18017
610 266-0220

ATLANTA DISTRICT

2050 Nancy Hanks Drive
Norcross, Georgia 30071
770 441-5580

BRANCHES
Georgia: Atlanta
Midtown, Marietta,
Fayetteville, Savannah,
Cartersville
Alabama: Birmingham,
Huntsville, Mobile
South Carolina: Columbia,
Greenville, Spartanburg,
Hilton Head, Beaufort
Tennessee: Knoxville,
Chattanooga
Florida: Pensacola
Mississippi: Jackson

MIDWEST ZONE
SERVICE CENTER
2424 A North Main Street
East Peoria, Illinois 61611
309 694-2341

TAMPA DISTRICT
----

801 North Rome Avenue
Tampa, Florida 33606
813 253-8881

BRANCHES
Florida: Sarasota, Lakeland,
 Orlando, Pinellas, Melbourne,
 North Tampa, Tallahassee,
 Jacksonville,
 South Jacksonville,
 Daytona Beach, Perrine,
 Miami, West Palm Beach,
 Florida City, Fort Myers,
 Fort Pierce, Naples,
 Pompano Beach, Gainesville

BOSTON DISTRICT
----

345 Harrison Avenue
Boston, Massachusetts 02118
617 482-9320

BRANCHES
Rhode Island: Cranston
Massachusetts: Worcester,
 Springfield, Somerville,
 Lucent Merrimack Valley
Maine: Portland
New Hampshire: Manchester
Vermont: Rutland, Williston
Connecticut: Hamden

CINCINNATI DISTRICT

1022 West Eighth Street
Cincinnati, Ohio 45203
513 621-0600

BRANCHES
West Virginia: Charleston
Ohio: Columbus, Dayton,
 Lima
Kentucky: Lexington,
 Louisville
Tennessee: Nashville

RICHMOND DISTRICT

1510 Tomlynn Street
Richmond, Virginia 23230
804 354-1300

BRANCHES
Virginia: Norfolk, Roanoke,
 Hampton, Chantilly
North Carolina: Asheville,
 Raleigh, Winston-Salem,
 Charlotte, Greensboro,
 Wilmington
South Carolina: Rock Hill
Tennessee: Bristol, Johnson City
Maryland: Baltimore, Lanham

CHICAGO DISTRICT
----

900 Regency Drive
Glendale Heights, Illinois
60139

630 893-3600

BRANCHES
Illinois: Naperville, Chicago
 Downtown, Morton Grove
Indiana: Fort Wayne,
 South Bend, Hammond,
 Indianapolis
Michigan: Flint, Lansing,
 Grand Rapids, Kalamazoo,
 Auburn Hills, Kentwood,
 Livonia
Ohio: Toledo

32

35

NORTHEASTERN
COMM/DATA DISTRICT

1550 South Warfield Street
Philadelphia, Pennsylvania 19146
215 336-2211

MINNEAPOLIS DISTRICT

2300 East 25th Street
Minneapolis, Minnesota 55406
612 721-3545

BRANCHES
Minnesota: St. Paul, Duluth,
 Brooklyn Park, Burnsville,
 Plymouth, Rochester, Mankato
Montana: Billings
North Dakota: Fargo
South Dakota: Sioux Falls,
 Brookings
Wisconsin: Green Bay,
 West Allis, Marinette,
 Manitowoc, Madison,
 Neenah

SOUTHEASTERN
COMM/DATA DISTRICT

2050 Nancy Hanks Drive
Norcross, Georgia 30071
770 441-5580

DALLAS DISTRICT

4601 Cambridge Road
Ft. Worth, Texas 76155
817 213-1200

BRANCHES
Texas: San Antonio,
 Fort Worth Counter, Amarillo,
 Austin, Abilene, Cypress,
 Beaumont, Corpus Christi,
 Houston, Houston (Counter),
 North Dallas, Sherman, Lubbock,
 Kilgore, LaMarque, Dallas (Royal
 Lane Counter),
 Texas Instruments,
 Houston Distribution Center,
 Houston (Tellepsen), Dallas
 Major Metro

Oklahoma: Oklahoma City,
Lucent Oklahoma City, Tulsa
Arkansas: Little Rock, Conway,
Springdale
Louisiana: Shreveport,
Baton Rouge, Lake Charles,
Harahan

CENTRAL
COMM/DATA DISTRICT

8170 Lackland Road
Bel Ridge, Missouri 63114
314 512-0100

PHOENIX DISTRICT

3350 West Earll Drive
Phoenix, Arizona 85017
602 269-2131

BRANCHES
Arizona: Mesa, Tucson,
Scottsdale
Colorado: Colorado Springs,
Denver, Englewood
New Mexico: Albuquerque
Texas: El Paso
Nevada: Las Vegas, Henderson
Utah: Salt Lake City, Orem
California: Los Angeles,
Anaheim, Costa Mesa,
Long Beach, San Bernardino,
San Diego, Santa Barbara,
Van Nuys, Bakersfield,
San Marcos, Santa Maria,
San Diego (Downtown),
Los Angeles Distribution
Center

WESTERN
COMM/DATA DISTRICT

1600 132nd Avenue, Northeast
Bellevue, Washington 98005
425 468-5548

REGIONAL ZONES

DALLAS REGIONAL ZONE

4601 Cambridge Road
Fort Worth, Texas 76155
817 213-1450

ATLANTA REGIONAL
AND NATIONAL ZONE

Woodlands Business Park
Building 100
8180 Troon Circle
Austell, Georgia 30168
678 945-9970

ST. LOUIS DISTRICT

8170 Lackland Road
Bel Ridge, Missouri 63114
314 512-0100

BRANCHES
Iowa: Davenport,
Des Moines,
Cedar Rapids
Illinois: East Peoria,
Springfield
Missouri: Jefferson City,
Kansas City, Springfield,
St. Louis (Counter)
Indiana: Evansville
Kansas: Olathe, Wichita
Nebraska: Omaha
Tennessee: Memphis, Jackson

SEATTLE DISTRICT

1919 Sixth Avenue South
Seattle, Washington 98134
206 292-4848

BRANCHES
Washington: Spokane,
Tacoma, Everett, Bellevue
Oregon: Portland, Beaverton,
Eugene
Idaho: Boise
Alaska: Anchorage, Fairbanks
California: Oakland Counter,
Fresno, Modesto,
Sacramento, San Jose,
Martinez, Hayward,
San Francisco Downtown,
Visalia, San Carlos
(Counter)
Nevada: Sparks
Hawaii: Aiea

INTERNATIONAL
----

34 North Meramec Avenue
St. Louis, Missouri 63105
314 512-9211

Miami International
10500 Southwest 186th St.
Perrine, Florida 33157
305 252-0400

San Francisco International
2368 Lincoln Avenue
Hayward, California 94545
510 259-0122

Houston International
6161 Bingle Road
Houston, Texas 77092
713 970-9450

LOCATIONS
San Juan, Puerto Rico
Singapore
Mexico City, Mexico
Santiago, Chile
Kitchener, Ontario
Hamilton, Ontario
Guelph, Ontario
Mississauga, Ontario
Niagara Falls, Ontario
Windsor, Ontario
Halifax, Nova Scotia
Dartmouth, Nova Scotia
Bridgewater, Nova Scotia
Kentville, Nova Scotia
New Glasgow, Nova Scotia
Sydney, Nova Scotia
Truro, Nova Scotia
Yarmouth, Nova Scotia

Charlottetown, Prince
Edward Island
Bathurst, New Brunswick
Florenceville, New Brunswick
Fredericton, New Brunswick
Moncton, New Brunswick
Saint John, New Brunswick
Corner Brook, Newfoundland
Grand Falls-Windsor,
Newfoundland
St. John's, Newfoundland
Wabush, Newfoundland

Graybar Electric Company, Inc.
34 North Meramec Avenue
St. Louis, Missouri 63105
www.graybar.com

EXHIBIT 21

GRAYBAR ELECTRIC COMPANY, INC.

LIST OF SUBSIDIARIES

Graybar Foreign Sales Corporation, a Barbados corporation.

Graybar International, Inc., a Missouri corporation.

Graybar Financial Services, Inc., a Missouri corporation.

Graybar Electric de Mexico, S. DE R.L. DE C.V., a Mexican corporation.

Graybar Electric Limited, a Nova Scotia corporation.

Graybar Foundation, Inc., a Missouri corporation.

Graybar Services, Inc., an Illinois corporation.

Distribution Associates, Inc., a Missouri corporation.

Graybar Electric (Ontario) Limited, an Ontario corporation.

Graybar International PTE LTD, a Singapore corporation.

Graybar Business Services, Inc., a Missouri corporation.

Graybar International de Chile Limitada, a Chile limited liability partnership.

Consent of Independent Auditors

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Graybar Electric Company, Inc. of our report dated February 19, 1999, included in the 1998 Annual Report to Shareholders of Graybar Electric Company, Inc.

Our audits also included the financial statement schedule of Graybar Electric Company, Inc. listed in Item 14(a). This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

St. Louis, Missouri
February 19, 1999

/s/ Ernst & Young LLP

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