LINENS N THINGS INC
Form 10-K
March 28, 2002

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 29, 2001

(NO FEE REQUIRED)

COMMISSION FILE NUMBER 1-12381

LINENS 'N THINGS, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE (STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	22-3463939 (I.R.S. EMPLOYER IDENTIFICATION NO.)
6 BRIGHTON ROAD CLIFTON, NEW JERSEY (ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	07015 (ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (973) 778-1300

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
COMMON STOCK, $0.01 PAR VALUE	NEW YORK STOCK EXCHANGE

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:
None

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO

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

The aggregate market value of voting stock held by non-affiliates of the Registrant on March 11, 2002, based on the closing sale price on the New York Stock Exchange on such date, was approximately $1,247 million. The number of outstanding shares of the Registrant's common stock, $0.01 par value, as of March 11, 2002 was 40,659,655.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Annual Report to Shareholders for the fiscal year ended December 29, 2001 are incorporated by reference into Part II, and portions of the Registrant's Proxy Statement for the 2002 Annual Meeting of Shareholders are incorporated by reference into Part III.

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PART I

ITEM 1. BUSINESS

GENERAL

Linens 'n Things, Inc., a Delaware corporation, and its subsidiaries ("Linens 'n Things" or the "Company") is one of the leading, national large format retailers of home textiles, housewares and home accessories operating 343 stores in 43 states and four Canadian provinces as of fiscal year end 2001. The Company's current store prototype is approximately 35,000 gross square feet in size and such stores are located in power strip centers and, to a lesser extent, in malls and as stand-alone stores. The Company's purpose is to make people's lives more enjoyable by making their homes more beautiful, comfortable, organized and efficient. The Company's business strategy is to offer a broad selection of high quality, brand name home furnishings merchandise at exceptional everyday values, provide superior guest service and maintain low operating costs.

Linens 'n Things' extensive selection of over 25,000 stock keeping units ("SKUs") in its superstores is driven by the Company's commitment to offering a broad and deep selection of high quality, brand name "linens" (E.G., bedding, towels and table linens) and "things" (E.G., housewares and home accessories) merchandise. Brand names sold by the Company include Wamsutta, Croscill, Nautica, Waverly, Laura Ashley, Royal Velvet, Braun, Krups, All-Clad, Cuisinart, Calphalon and Henckels. The Company also sells an increasing amount of merchandise under its own private label, LNT Home (over 10% of sales), which is designed to supplement the Company's offering of brand name products by offering better quality merchandise at compelling prices. The Company's merchandise offering is coupled with a "won't be undersold" everyday low pricing strategy.

From its founding in 1975 through the late 1980's, the Company operated a chain of traditional stores ranging between 7,500 and 10,000 gross square feet in size. Beginning in 1990, the Company introduced its superstore format, which has evolved from 20,000 gross square feet in size to its current size ranging from 25,000 to 50,000 gross square feet. This superstore format offers a broad merchandise selection in a more visually appealing, guest friendly format. The Company's introduction of superstores has resulted in the closing or relocation of most of the Company's traditional stores through fiscal year end 2001. As a result of superstore openings and traditional store closings, the Company's gross square footage has increased from 2.9 million to 12.0 million over the last seven years. Meanwhile, the Company's store base increased from 145 to 343 during this period.

As part of this strategy, the Company instituted centralized management and operating programs and invested significant capital in its distribution and management information systems infrastructure in order to control operating expenses as the Company grows. In addition, as part of its strategic initiative to capitalize on customer demand for one-stop shopping destinations, the Company has balanced its merchandise mix from being driven primarily by the "linens" side of its business to a fuller selection of both "linens" and "things." The Company estimates that the "things" side of its business has increased from less than 10% of net sales in fiscal 1991 to over 40% in fiscal 2001.

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

EXECUTIVES

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

NAME	AGE	POSITION
Norman Axelrod....................	49	Chairman and Chief Executive Officer
Steven B. Silverstein.............	42	President
Audrey Schlaepfer.................	47	Executive Vice President, Chief Merchandising Offi
William T. Giles..................	42	Senior Vice President, Chief Financial Officer
Brian D. Silva....................	45	Senior Vice President, Human Resources, Administra Corporate Secretary

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

Mr. Silverstein joined Linens 'n Things in 1992 as Vice President, General Merchandise Manager, was promoted to Senior Vice President, General Merchandise Manager in 1993, was promoted to Executive Vice President, Chief Merchandising Officer in 1998 and was promoted to President in 2001. Prior to joining Linens 'n Things, Mr. Silverstein held various management positions at Bloomingdale's from 1985 to 1992 including Merchandise Vice President of Home Textiles. He received his B.A. from Cornell University and his M.B.A. from Wharton Business School.

Ms. Schlaepfer joined Linens 'n Things in 2001 as Executive Vice President and Chief Merchandising Officer. Prior to joining Linens 'n Things, Ms. Schlaepfer held various management positions at Warner Bros. from 1994 to 2001 including: Vice President of Home, Accessories and Gallery; Senior Vice President of Hard Goods and Executive Vice President of Merchandising. Prior to joining Warner Bros. in 1994, Ms. Schlaepfer held several positions at Macy's including Vice President of Merchandising in Private Label Home Furnishings. Ms. Schlaepfer earned her B.A. from Queens College C.U.N.Y. and her M.B.A. from New York University.

Mr. Giles joined Linens 'n Things in 1991 as Assistant Controller, was promoted to Vice President, Finance and Controller in 1994, was promoted to Vice President, Chief Financial Officer in 1997 and was promoted to Senior Vice President, Chief Financial Officer in 2000. From 1981 to 1990, Mr. Giles was with PriceWaterhouse LLP. From 1990 to 1991, Mr. Giles held the position of Director of Financial Reporting with Melville Corporation. Mr. Giles is a certified public accountant and member of the American Institute of Certified Public Accountants. He graduated from Alfred University with a B.A. in Accounting and Management.

Mr. Silva joined Linens 'n Things in 1995 as Vice President, Human Resources, was promoted to Senior Vice President, Human Resources and Corporate

Secretary in 1997 and most recently, assumed the role of Senior Vice President, Human Resources and Administration and Corporate Secretary in 2002. Mr. Silva was Assistant Vice President, Human Resources at The Guardian, an insurance and financial services company, from 1986 to 1995. He holds an M.A. in Organizational Development from Columbia University and an M.S. in Human Resources Management from New York Institute of Technology. Mr. Silva received his B.A. from St. John's University.

BUSINESS STRATEGY

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

OFFER A BROAD SELECTION OF QUALITY NAME BRANDS AT EXCEPTIONAL EVERYDAY VALUES. Linens 'n Things' merchandising strategy is to offer the largest breadth of selection in high quality, brand name fashion home textiles, housewares and home accessories at exceptional everyday value. The Company offers over 25,000 SKUs across six departments, including bath, home accessories, housewares, storage, top of the bed and window treatments. The Company is one of the largest retailers of branded home furnishings including Wamsutta, Laura Ashley, Royal Velvet, Croscill, Nautica, Braun, Krups, All-Clad, Cuisinart, Calphalon and Henckels. The Company also sells an increasing amount of merchandise under its own private label, LNT Home, which is designed to supplement the Company's offering of brand name products.

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

DEPARTMENT	ITEMS SOLD	SAMPLE
Bath	Towels, shower curtains, waste baskets, hampers, bathroom rugs and wall hardware	Fieldcrest, Wam Royal Velvet an
Home Accessories	Decorative pillows, napkins, tablecloths, placemats, lamps, gifts, picture frames, candles and framed art	Waverly, Laura Umbra and Yanke
Housewares	Cookware, cutlery, kitchen gadgets, small electric appliances (such as blenders and coffee grinders), dinnerware, flatware and glassware	All-Clad, Braun Cuisinart, Henc Black & Decker,
Storage	Closet-related items (such as hangers, organizers and shoe racks)	Rubbermaid and
Top of the Bed	Sheets, comforters, comforter covers, bedspreads, bed pillows, blankets and mattress pads	Wamsutta, Laura Revman, Croscil Springmaid, Bea
Window Treatment	Curtains, valances and window hardware	Croscill, Wamsu Ashley

PROVIDE SUPERIOR GUEST SERVICE AND SHOPPING CONVENIENCE. The Company's target customer, or guest, is a 35 to 55 year old female with good to better income level, who is fashion and brand conscious and focused on the home as a reflection of her own individuality. The Company's mission is to exceed the guests' expectations in every store, every day. To enhance guest satisfaction and loyalty, Linens 'n Things strives to provide prompt, knowledgeable sales assistance and enthusiastic guest service. Linens 'n Things offers competitive wages, on-going training and personnel development in order to attract and retain well-qualified, highly motivated employees committed to providing superior guest service. Linens 'n Things endeavors to provide more knowledgeable sales associates by providing training through various programs, which include management training, daily sales associate meetings and in-store product seminars.

The Company's superstore format is designed to save the guest time by having merchandise visible and accessible on the selling floor for immediate purchase. The Company believes its knowledgeable sales staff and efficient guest service, create a positive shopping experience that engenders guest loyalty.

In response to growing consumer use of the Internet, the Company greatly expanded its e-commerce capability through its website at www.linensnthings.com, in fiscal 2001. The website features on-line access to the Company's nationwide

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gift registry and allows the guests to purchase many of the Company's most popular items from the convenience of their homes.

MAINTAIN LOW OPERATING COSTS.A cornerstone of the Company's business strategy is its commitment to maintain low operating costs. In addition to savings realized through sales volume efficiencies, operational efficiencies are expected to be achieved through the streamlining of the Company's centralized merchandising structure, the use of integrated management information systems and the utilization of the distribution centers.

GROWTH STRATEGY

SUPERSTORE EXPANSION. The Company operates in a large, highly fragmented industry and has a market share of approximately three percent of the industry. The Company's expansion strategy is to increase market share in existing markets and to penetrate new markets in which the Company believes it can become a leading operator of home furnishings superstores. Markets for new superstores are selected on the basis of demographic factors, such as income, population and number of households. The Company's stores are located predominantly in power strip centers and, to a lesser extent, in malls and as stand-alone stores. The Company generally seeks to operate stores in the United States and Canada in geographic trading areas of 200,000 persons within a ten-mile radius and with demographic characteristics that match the Company's target profile. At fiscal year end 2001, the Company operated 332 stores in 43 states in the United States and 11 stores in four Canadian provinces.

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

			SQUARE FOOTAGE (IN 000'S)		STORE CO
FISCAL YEAR	OPENINGS	CLOSINGS	BEGIN YEAR	END YEAR	BEGIN YEAR
1997	25	18	4,727	5,493	169
1998	32	12	5,493	6,487	176

1999	43	9	6,487	7,925	196
2000	57	4	7,925	9,836	230
2001	63	3	9,836	11,980	283

INCREASE PRODUCTIVITY OF EXISTING STORE BASE. The Company is committed to increasing its net sales per square foot, inventory turnover ratio and return on invested capital. The Company believes the following initiatives will best position it to achieve these goals:

ENHANCE MERCHANDISE MIX AND PRESENTATION. The Company has developed a number of strategic initiatives to stimulate growth of textiles including new product offerings, improving quality assortments and increasing the strength of value offerings. Further, the Company continues to increase sales in its "things" merchandise. The Company expects these opportunities to positively impact net sales per square foot, the average net sales per guest and inventory turnover. The Company is consistently introducing new products that it expects will increase sales and generate additional guest traffic.

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

INCREASE OPERATING EFFICIENCIES. As part of its strategy to increase operating efficiencies, the Company has invested significant capital in building a centralized infrastructure, including its two current distribution centers and a management information system, which it believes will allow it to maintain low operating costs as it pursues its superstore expansion strategy. In 1995, the Company began full operation of its first distribution center in Greensboro, North Carolina. In June 1999, the Company began operation of its second

distribution center in southern New Jersey. The Company's third distribution center, located in Louisville, Kentucky, is expected to be operational in spring 2002. Management believes that the increased utilization of the distribution centers has resulted in lower average freight costs, more efficient scheduling of inventory shipments to the stores, better in-stock positions and improved information flow. The Company believes that the transfer of inventory receiving responsibilities from the stores to the distribution centers allows the store sales associates to direct their focus to the sales floor, thereby increasing the level of guest service. The warehouse portion of the distribution centers provides the Company flexibility to manage safety stock and inventory flow. The Company's ability to effectively manage its inventory is also enhanced by a centralized merchandising management team and its management information systems which allow the Company to more accurately monitor and better balance inventory levels and improve in-stock positions in its stores.

INDUSTRY

According to Industry Reports, total industry sales of products sold in the Company's stores, which primarily include home textiles, housewares and decorative furnishings categories, were estimated to be over $75 billion. The market for home furnishings is large, highly-fragmented and competitive. Specialty superstores are one of the fastest growing channels of distribution in this market. In fiscal 2001, the Company estimates that the two largest specialty superstore retailers of fashion home textiles (which includes the

Company and Bed Bath & Beyond, Inc.) had aggregate sales representing only approximately 6% of the industry's total sales.

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

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

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

SPECIALTY STORES/RETAILERS: This category includes large format home furnishings retailers including Bed Bath & Beyond, Inc. and Home Goods, a division of TJX Companies, Inc. and smaller format retailers such as Crate & Barrel and Williams-Sonoma, Inc. The Company estimates that the large format stores range in size from approximately 25,000 to 70,000 gross square feet and offer a home furnishings merchandise selection of approximately 15,000 to 40,000 SKUs. These retailers attempt to develop loyal customers and increase customer traffic by providing a single outlet to satisfy the customer's household needs. The smaller format retailers are typically smaller in size and offer a narrow assortment within a specific niche. The smaller format retailers generally range in size from 2,000 to 20,000 gross square feet.

OTHER RETAILERS: This category includes mail order retailers, such as Spiegel Inc. and Domestications, off-price retailers, such as Kohl's Corporation, the T.J. Maxx and Marshall's divisions of the TJX Companies, Inc. and local "mom and pop" retail stores. Both mail order retailers and smaller

local retailers generally offer a more limited selection of merchandise. Off-price retailers typically offer close-out or out of season name brand merchandise at competitive prices.

MERCHANDISING

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

The Company's extensive merchandise offering of over 25,000 SKUs enables our guests to select from a wide assortment of styles, brands, colors and designs within each of the Company's major product lines. The Company is committed to maintaining a consistent in-stock inventory position. This presentation of merchandise enhances the guest's impression of a dominant selection of merchandise in an easy-to-shop environment. The Company's broad and deep merchandise offering is coupled with everyday low prices that are generally below regular department store prices and comparable with or slightly below department store sale prices. The Company believes that the uniform application of its everyday low price policy is essential to maintaining the integrity of its strategy. This is an important factor in establishing its reputation as a price leader and in helping to build guest loyalty. In addition, the Company offers, on a regular basis, "special" merchandise which it obtains primarily through opportunistic purchasing to enhance its high value perception among its guests.

CUSTOMER SERVICE

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

ADVERTISING

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

To reach its guests, the Company primarily uses full color flyers to best represent the full range of offerings in the stores. These are supplemented by on-going direct marketing initiatives. In addition, the Company utilizes its proprietary marketing database to track the buying habits of its guests. Grand opening promotional events are used to support new stores, with more emphasis placed on those located in new markets.

PURCHASING AND SUPPLIERS

The merchandising mix for each store is generally selected by the central buying staff. The Company purchases its merchandise from approximately 1,000 suppliers. Springs Industries, Inc., through its various operating companies, supplied approximately 10% of the Company's total purchases in fiscal 2001. In fiscal 2001, the Company purchased a significant number of products from other key suppliers. Due to its breadth and depth of selection, the Company is often one of the largest customers for certain of its vendors. The Company believes that this buying power and its ability to make centralized purchases generally allow it to acquire products at favorable terms.

DISTRIBUTION

The Company currently operates two distribution centers. The first is located in Greensboro, North Carolina and began operation in 1995 and the second is located in southern New Jersey and began operation in 1999. A third distribution center located in Louisville, Kentucky is expected to be operational in spring 2002. The Company believes the utilization of the centralized distribution centers has resulted in lower average freight expense, more timely control of inventory shipments to stores, better in-stock positions and improved information flow. In addition, transferring inventory receiving responsibilities from the stores to the distribution centers allows the sales associates to direct their focus to the selling floor, thereby enhancing the guests' shopping experience. The Company believes strong distribution support for its stores is a critical element to its growth strategy and is central to its ability to maintain a low cost operating structure.

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

MANAGEMENT INFORMATION SYSTEMS

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

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

STORE MANAGEMENT AND OPERATIONS

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

Linens 'n Things' stores are open seven days a week, generally from 9:30 a.m. to 9:30 p.m. Monday through Saturday and 11:00 a.m. to 6:00 p.m. on Sunday, unless affected by local laws.

INFLATION AND SEASONALITY

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

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

EMPLOYEES

As of December 29, 2001, the Company employed approximately 14,700 individuals of whom approximately 6,500 were full-time employees and 8,200 were part-time employees. None of the Company's employees is represented by a union, and the Company believes that it has a good relationship with its employees.

COMPETITION

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

The Company believes that the ability to compete successfully in its markets is determined by several factors, including price, breadth and quality of product selection, in-stock availability of merchandise, effective merchandise presentation, guest service and superior store locations. The Company believes that it is well positioned to compete on the basis of these factors. Nevertheless, there can be no assurance that any or all of the factors that enable the Company to compete favorably will not be adopted by companies having greater financial and other resources than the Company.

TRADE NAMES AND SERVICE MARKS

The Company uses the "Linens 'n Things" and "LNT Home" names as trade names and as service marks in connection with retail services. The Company has registered the "Linens 'n Things" and "LNT" logos as trademarks and service marks with the United States Patent and Trademark Office and the Canada Patent and Trademark Office. Management believes that the name "Linens 'n Things" is an important element of the Company's business.

FORWARD-LOOKING STATEMENTS

This Form 10-K (including the information incorporated herein by reference) contains forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995. The statements are made a number of times and may be identified by such forward-looking terminology as "expect," "believe," "may," "will," "could," "intend," "plan," "target" and similar statements or variations of such terms. All of our "outlook" information constitutes forward-looking information. All such forward-looking statements are based on our current expectations, assumptions, estimates and projections about our Company and involve certain significant risks and uncertainties, including levels of sales, store traffic, acceptance of product offerings and fashions, the success of our new business concepts and seasonal concepts, the success of our new store openings, competitive pressures from other home furnishings retailers, the success of the Canadian expansion, availability of suitable future store locations, schedule of store expansion, the impact of the bankruptcies and consolidations in our industry, the impact on consumer spending as a result of a slowing consumer economy and a highly promotional retail environment. Actual

results may differ materially from such forward-looking statements. These and other important risk factors are included in the "Risk Factors" section of the Company's Registration Statement on Form S-1 as filed with the Securities and Exchange Commission on May 29, 1997, and may be contained in subsequent reports filed with the Securities and Exchange Commission. You are urged to consider all such factors. In light of the uncertainty inherent in such forward-looking statements, you should not consider their inclusion to be a representation that such forward-looking matters will be achieved. The Company assumes no obligation for updating any such forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking statements.

ITEM 2. PROPERTIES

The Company's corporate headquarters are located at 6 Brighton Road in Clifton, New Jersey. As of December 29, 2001 the Company operated 343 retail stores in 43 states and four Canadian provinces. The Company's superstores range in size from 25,000 to 50,000 gross square feet but are predominately between

30,000 and 40,000 gross square feet. The Company has two smaller formatted stores which are less than 20,000 gross square feet. The Company currently leases all of its existing stores and expects that its policy of leasing rather than owning will continue as it expands. The Company's leases provide for original lease terms that generally range from 10 to 20 years and certain of the leases provide for renewal options that range from 5 to 15 years at increased rents. Certain of the leases provide for scheduled rent increases and certain of the leases provide for contingent rent (based upon store sales exceeding stipulated amounts). CVS guarantees the leases of certain stores that were entered into prior to the Company's 1996 IPO. Following the IPO, CVS no longer entered into commitments to guarantee future leases on behalf of the Company.

The Company owns its distribution center in Greensboro, North Carolina, which is approximately 330,000 square feet. The Company leases its distribution centers in southern New Jersey, which is approximately 260,000 square feet, and Louisville, Kentucky, which is approximately 600,000 square feet. Both the New Jersey and Kentucky distribution centers can be expanded.

The table below sets forth the number and location of stores in the United States as of December 29, 2001:

STATE	NUMBER OF STORES	STATE	NUMBER OF
Alabama	4	Nevada	2
Arizona	8	New Hampshire	5
Arkansas	1	New Jersey	12
California	43	New Mexico	3
Colorado	6	New York	20
Connecticut	12	North Carolina	9
Florida	27	North Dakota	1
Georgia	13	Ohio	10
Idaho	1	Oklahoma	2
Illinois	17	Oregon	4
Indiana	5	Pennsylvania	9
Kansas	3	Rhode Island	1
Kentucky	2	South Carolina	2
Louisiana	3	Tennessee	4
Maine	3	Texas	32
Maryland	3	Utah	3
Massachusetts	11	Vermont	1
Michigan	10	Virginia	12
Minnesota	6	Washington	10
Missouri	5	West Virginia	1
Montana	1	Wisconsin	3
Nebraska	2		

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The table below sets forth the number and location of stores in Canada as of December 29, 2001:

PROVINCE	NUMBER OF STORES
Alberta	3
British Columbia	4

Ontario	3
Manitoba	1

ITEM 3. LEGAL PROCEEDINGS

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

The Company had been named as a defendant in California litigation in which the court certified the case as a class action on behalf of certain managers of Company stores located in California seeking overtime pay, together with class action claims on behalf of certain former employees seeking accrued vacation pay. In the second quarter of fiscal 2001, the Company recorded a pre-tax charge of $4.0 million ($2.5 million after-tax) related to the settlement payments, attorneys' fees and estimated expenses of administering the settlement. On October 24, 2001, the court gave preliminary approval to a settlement reached in the case. An order granting final approval of class action settlement was signed on December 19, 2001. The Company admitted no liability in connection with this settlement. Payment of these amounts has been made in early 2002.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter ended December 29, 2001.

PART II

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

Linens `n Things' common stock is listed on the New York Stock Exchange. Its trading symbol is LIN. At December 29, 2001 there were approximately 8,994 beneficial shareholders. The high and low trading price of the Company's common stock for each quarter is as follows:

FOR FISCAL 2001	HIGH	LOW
First Quarter	$37.88	$24.81
Second Quarter	$32.76	$24.00
Third Quarter	$28.16	$17.37
Fourth Quarter	$25.91	$17.72

FOR FISCAL 2000	HIGH	LOW
First Quarter	$34.38	$17.94
Second Quarter	$35.94	$23.19
Third Quarter	$36.38	$23.88
Fourth Quarter	$33.50	$20.00

The Company paid no dividends on its common stock in fiscal 2001 and 2000. Management of the Company currently intends to retain its earnings to finance the growth and development of its business and does not currently anticipate paying cash dividends in the foreseeable future. The payment of any future dividends will be at the discretion of the Company's Board of Directors and will depend upon, among other things, the future earnings, operations, capital requirements and financial condition of the Company, satisfying all requirements under its bank financing agreement and such other factors as the Company's Board of Directors may consider relevant. In addition, the Company's revolving credit facility currently limits the amount of cash dividends. See "Management's Discussion and Analysis--Liquidity and Capital Resources" under Item 7.

ITEM 6. SELECTED FINANCIAL DATA

The information required by this Item is incorporated by reference to the Five-Year Financial Summary appearing on page 14 of the Company's Annual Report to Shareholders for the fiscal year ended December 29, 2001.

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

The information required by this Item is incorporated by reference to pages 15 through 21 of the Company's Annual Report to Shareholders for the fiscal year ended December 29, 2001.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this Item is incorporated by reference to page 19 of the Company's Annual Report to Shareholders for the fiscal year ended December 29, 2001 under the heading "Management's Discussion and Analysis - Market Risk Disclosure".

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and financial information required by this Item are incorporated by reference to pages 22 through 36 of the Company's Annual Report to Shareholders for the fiscal year ended December 29, 2001. These financial statements are indexed under Item 14(a)(1).

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

There were no changes in or reportable disagreements between the Company and its independent public accountants on matters of accounting principles or practices for fiscal 2001.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item concerning the Company's directors is incorporated by reference to the Company's Proxy Statement, under the heading "Election of Directors," to be mailed to shareholders for the Company's 2002 Annual Meeting of Shareholders.

The information required by this Item concerning the Company's executive officers is contained in Part I, Item 1, "Business - Executives."

The information required by this Item with respect to Section 16 reporting is incorporated by reference to the Company's Proxy Statement for the Company's 2002 Annual Meeting of Shareholders, under the heading "Section 16(a) Beneficial Ownership Reporting Compliance."

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference to the Company's Proxy Statement for the 2002 Annual Meeting of Shareholders, under the headings "Director Compensation; Attendance;" Committees of the Board of Directors" and "Executive Compensation," other than information included therein under the sub captions "Report on Compensation of Executive Officers" and "Performance Graph" which are not incorporated herein.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is incorporated by reference to the Company's Proxy Statement for the 2002 Annual Meeting of Shareholders, under the heading "Beneficial Ownership of Common Stock."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item will, if applicable, be included in the Company's Proxy Statement for the 2002 Annual Meeting of Shareholders, and, if so included, is incorporated by reference in this Item.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K
(a) The following documents are filed as part of this Report.

1. FINANCIAL STATEMENTS:

The following Financial Statements are incorporated by reference to the Company's Annual Report to Shareholders for the fiscal year ended December 29, 2001:

	PAGES IN AN TO SHARE
Consolidated Statements of Operations - for the fiscal years ended December 29, 2001, December 30, 2000 and January 1, 2000	
Consolidated Balance Sheets - as of December 29, 2001 and December 30, 2000......................................	
Consolidated Statements of Shareholders' Equity - for the fiscal years ended December 29, 2001, December 30, 2000 and January 1, 2000	
Consolidated Statements of Cash Flows - for the fiscal years ended December 29, 2001, December 30, 2000 and January 1, 2000	
Notes to Consolidated Financial Statements..	
Management's Responsibility for Financial Reporting...............................	
Independent Auditors' Report..	

2. SCHEDULES:

None

3. EXHIBITS:

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

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION

------	-----------
3.1	Amended and Restated Certificate of Incorporation, as amended 1,3
3.2	By-Laws of the Registrant1
4	Specimen Certificate of Common Stock1
10.1	Transitional Services Agreement between the Registrant and CVS Corporation1
10.2	Stockholder Agreement between the Registrant and CVS Corporation1
10.3	Tax Disaffiliation Agreement between the Registrant and CVS Corporation1
10.4	Employment Agreement with Norman Axelrod*5
10.5	Employment Agreement with Steven B. Silverstein*5
10.6	Employment Agreement with Hugh J. Scullin**5
10.7	Employment Agreement with Brian Silva*5
10.8	Employment Agreement with William T. Giles *5
10.9	Employment Agreement with Audrey Schlaepfer*8
10.10	Split Dollar Agreement and Collateral Assignment between the Registrant and Norman
10.11	Split Dollar Agreement and Collateral Assignment between the Registrant and Steven
10.12	1996 Incentive Compensation Plan*1
10.13	1996 Non-Employee Director Stock Plan*1
10.14	Supplemental Executive Retirement Plan*4,8
10.15	2000 Stock Award and Incentive Plan 7
10.16	Deferred Compensation Plan*11
10.17	LNT Broad-Based Equity Plan*10
10.18	Credit Agreement dated as of October 20, 2000 among the Registrant, Fleet Bank and the lenders signatory thereto 6,9
13	Annual Report to Shareholders for 2002 fiscal year***
21	List of Subsidiaries2
23a	Consent of KPMG LLP2

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1 Incorporated by reference to the Exhibits filed with the Company's Registration Statement on Form S-1 (No. 333-12267), which Registration Statement became effective on November 26, 1996.
2 Filed with this Form 10-K.
3 Incorporated by reference to Current Report on Form 8-K dated May 5, 1999.
4 Incorporated by reference to Current Report on Form 8-K dated March 27, 2000.
5 Incorporated by reference to Current Report on Form 8-K dated March 29, 2001.
6 Incorporated by reference to Current Report on Form 8-K dated November 6, 2000.
7 Incorporated by reference to Registration Statement on Form S-8 dated July 31, 2000 (File No. 333-42874).
8 Incorporated by reference to a Current Report on Form 8-K dated March 26, 2002.
9 Incorporated by reference to a Quarterly Report on Form 10-Q dated November 13, 2001.
10 Incorporated by reference to a Registration Statement on Form S-8 dated June 13, 2001 (File No. 333-62984).
11 Incorporated by reference to a Registration Statement on Form S-8 dated June 2, 1998 (File No. 333-55803).

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* Management contract or compensatory plan or arrangement.

** Based on changes in the structure of management's responsibilities, this position is no longer deemed an "executive officer" position for fiscal 2002 and thereafter.

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

(b) Reports on Form 8-K:

Not Applicable

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

LINENS 'N THINGS, INC.
(Registrant)

By: /s/ Norman Axelrod

NORMAN AXELROD
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Dated: March 28, 2002

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

SIGNATURE	TITLE
/s/ Norman Axelrod Norman Axelrod	Chairman and Chief Executive Officer
/s/ Philip E. Beekman Philip E. Beekman	Director

/s/ Harold F. Compton	Director
Harold F. Compton	
/s/ Stanley P. Goldstein	Director
Stanley P. Goldstein	
/s/ Morton E. Handel	Director
Morton E. Handel	
/s/ William T. Giles	Senior Vice President, Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
William T. Giles	

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FIVE-YEAR FINANCIAL SUMMARY (IN THOUSANDS, EXCEPT PER SHARE AND SELECTED OPERATING DATA)

FISCAL YEAR ENDED	DECEMBER 29, 20012	DECEMBER 30, 2000	JANUARY 1, 2000
INCOME STATEMENT DATA:			
Net sales..	$1,823,803	$1,572,576	$1,300,63
Operating profit...................................	52,480	107,092	84,55
Net income	29,749	64,937	52,05
Net income per share - basic1......................	$ 0.73	$ 1.63	$ 1.3
Basic weighted-average shares outstanding1..................................	40,508	39,785	39,33
Net income per share - diluted1....................	$ 0.72	$ 1.60	$ 1.2
Diluted weighted-average shares outstanding1................................	41,193	40,712	40,90
BALANCE SHEET DATA:			
Total assets.......................................	$ 927,439	$ 821,557	$ 679,91
Working capital....................................	228,078	226,694	181,38
Shareholders' equity...............................	$ 498,215	$ 458,994	$ 383,96
SELECTED OPERATING DATA:			
Number of stores...................................	343	283	23
Total gross square footage (000's).................	11,980	9,836	7,92
(Decrease) increase in comparable store net sales................................	(2.4%)	3.7%	5.4

1 UNLESS OTHERWISE STATED, ALL REFERENCES TO COMMON SHARES OUTSTANDING AND

INCOME PER SHARE IN THE CONSOLIDATED FINANCIAL STATEMENTS, NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, AND MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS ARE ADJUSTED TO REFLECT THE COMPANY'S TWO-FOR-ONE COMMON STOCK SPLIT EFFECTED IN MAY 1998.

2 FISCAL 2001 OPERATING RESULTS INCLUDE NON-COMPARABLE ITEMS OF $26.2 MILLION, AFTER-TAX, OR $0.64 PER SHARE ON A FULLY DILUTED BASIS.

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

CONSOLIDATED RESULTS OF OPERATIONS

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

Fiscal Year Ended	DEC. 29, 2001	DEC. 30, 2000	JAN. 1, 2000
PERCENTAGE OF NET SALES			
Net sales....................	100.0%	100.0%	100.0%
Cost of sales, including buying and distribution costs....................	59.3	59.1	59.4
Gross profit.................	40.7	40.9	40.6
Selling, general and administrative expenses..	35.7	34.1	34.1
Restructuring and asset impairment charge	1.9	--	--
Litigation charge............	0.2	--	--
Operating profit.............	2.9	6.8	6.5
Interest expense, net........	0.2	0.1	0.0
Income before income taxes...	2.7	6.7	6.5
Provision for income taxes...	1.1	2.6	2.5
Net income...................	1.6%	4.1%	4.0%

NON-COMPARABLE ITEMS

The Company's 2001 results were impacted by non-comparable items totaling $41.8 million, pre-tax, as follows:

RESTRUCTURING AND ASSET IMPAIRMENT CHARGE

During the fourth quarter of fiscal 2001, the Company developed and committed to a strategic initiative designed

the $37.8 million, $34.0 millio
restructuring and asset impairm
is recorded in cost of sales. T
portion, which will be paid in
million and the after-tax non-c
approximately $8.5 million.

A pre-tax reserve of $20.5 mill
estimated lease commitments for
reserve is included in accrued
considers estimated sublease in
leased and as such, the Company
the disposal of property other
reserve of $9.5 million has bee
impairments for these stores. T
represent fixtures and leasehol
was recorded as a reduction of
Additionally, a pre-tax reserve
established for other estimated
costs. A pre-tax reserve of $3.
cost of sales for estimated inv
for the stores to be closed.

Certain components of the restr
charge are based upon estimates
in future periods. These stores
closing in February 2002.

The closing of these 17 stores
increase future diluted earning
$0.07 on an annualized basis, o
to $0.03 per share is currently
fiscal 2002.

LITIGATION CHARGE

The Company had been named as a
litigation in which the court c
action on behalf of certain man
located in California seeking o
class action claims on behalf o
seeking accrued vacation pay. I
fiscal 2001, the Company record
million ($2.5 million after-tax
payments, attorneys' fees, and

to improve store performance and profitability. This initiative calls for the closing of 17 under-performing stores which did not meet the Company's profit objectives. These 17 stores generated sales of approximately $70 million in fiscal 2001, or less than 4% of total sales. These stores are geographically dispersed and there are no concentrated market closings. The closing of these stores will enable the Company to redeploy its financial, human and infrastructure resources to more productive stores.

In connection with this initiative, the Company recorded a pre-tax restructuring and asset impairment charge of $37.8 million ($23.7 million after-tax) in the fourth quarter of fiscal 2001. Of

expenses of administering the settlement. On October 24, 2001, the court gave preliminary approval to a settlement reached in the case. An order granting final approval of class action settlement was signed on December 19, 2001. The Company admitted no liability in connection with this settlement. Payment of these amounts has been made in early fiscal 2002.

The following table shows the proforma effect of non-comparable items on the year ended December 29, 2001.

(in millions, except per share data)

	AS REPORTED	NON-COMPARABLE ITEMS	EXCLUDING NON-COMPARABLE ITEMS
Net sales.............	$1,823.8	--	$1,823.8
Gross profit...........	742.5	(3.8)	746.3
Selling, general and administrative expenses.............	652.0	--	652.0
Restructuring and asset impairment charge.....	34.0	34.0	--
Litigation charge......	4.0	4.0	--
Operating profit.......	52.5	(41.8)	94.3
Interest expense, net..	3.9	--	3.9
Income before income taxes.................	48.6	(41.8)	90.4
Provision for income taxes.................	18.9	(15.6)	34.5
Net income.............	$29.7	($26.2)	$55.9
Basic earnings per			

year end 2000. Store square foo
11,980,000 at December 29, 2001
December 30, 2000.

Comparable store net sales decl
compared with an increase of 3.
Company's average net sales per
fiscal 2001 compared to $6.2 mi
decline in comparable store net
per store in fiscal 2001 was pr
decline in consumer traffic due
well as the productivity of our
opened in 2000, which performed
targets.

Net sales consist of gross sale
returns, discounts and incentiv
future sales returns when mater
period that the related sales a
determines the amount of provis
information. Sales discounts, c
incentives are recorded as a re
the period when the related sal

The Company's core business str
deep selection of high quality
bedding, towels and table linen
housewares and home accessories
has balanced its merchandise mi
by the "linens" side of its bus
of "linens" and "things." The C
"things" side of its business h
10% of net sales in fiscal 1991
For the fiscal year ended 2001,
merchandise increased approxima
while net sales of "things" mer
approximately 20% over the prio
in net sales for "things" merch
from the continued expansion of

share..................	$0.73	($0.65)	$1.38
Diluted earnings per share.................	$0.72	($0.64)	$1.36

To provide a more meaningful comparison of operating performance between fiscal years, the remaining Consolidated Results of Operations discussion excludes the impact of non-comparable items.

FISCAL YEAR ENDED DECEMBER 29, 2001 COMPARED WITH FISCAL YEAR ENDED DECEMBER 30, 2000

NET SALES

Net sales for fiscal 2001 were $1,823.8 million, an increase of 16.0% over fiscal 2000 sales of $1,572.6 million, primarily as a result of new store openings. The Company opened 63 superstores and closed three stores in fiscal 2001, as compared with opening 57 superstores and closing four stores in fiscal 2000. At fiscal year end 2001, the Company operated 343 stores, including 11 stores in Canada, as compared with 283 stores at fiscal

the "things" business.

GROSS PROFIT

Gross profit for fiscal 2001 wa
net sales, compared with $643.3
sales, in fiscal 2000. Gross ma

as a percentage of net sales remained the same principally due to improved mark-on as a result of product mix and the increased penetration of the Company's proprietary products, which represented over 10% of total net sales in fiscal 2001, as well as lower freight expenses. This was offset by an increase in markdowns primarily as a result of an increase in promotional activity.

EXPENSES

The Company's selling, general and administrative ("SG&A") expenses consist of store selling expenses, occupancy costs, advertising expenses and corporate office expenses. SG&A expenses for fiscal 2001 were $652.0 million, or 35.7% of net sales, as compared with $536.2 million, or 34.1% of net sales, in fiscal 2000. The increase as a percentage of net sales is attributable to the de-leveraging in the Company's operating expenses, primarily occupancy costs, reflecting lower sales productivity. However, the increase was partially offset by the leverage of corporate office expenses.

Operating profit for fiscal 2001 was $94.3 million, or 5.2% of net sales, down from $107.1 million, or 6.8% of net sales during fiscal 2000.

Net interest expense in fiscal 2001 increased to $3.9 million from $1.9 million during fiscal 2000. This increase was due to a higher net average loan balance than in fiscal

FISCAL YEAR ENDED DECEMBER 30,
YEAR ENDED JANUARY 1, 2000

NET SALES

Net sales for fiscal 2000 were
of 20.9% over fiscal 1999 sales
primarily as a result of new st
comparable store net sales incr
superstores and closed four sto
with opening 43 superstores and
fiscal 1999. At fiscal year end
283 stores compared with 230 st
Store square footage increased
December 30, 2000 compared with
2000. Comparable store net sale
2000 compared with 5.4% in fisc
sales were driven predominately

The Company's average net sales
in fiscal 2000 and fiscal 1999.
2000, net sales of "linens" mer
approximately 18% over the prio
"things" merchandise increased
prior year. The greater increas
merchandise primarily resulted
in this product category.

GROSS PROFIT

2000 in order to fund the Company's operations.

The Company's income tax expense for fiscal 2001 was $34.5 million, compared with $40.2 million during fiscal 2000. The Company's effective tax rate was 38.2% in fiscal 2001 and in fiscal 2000.

NET INCOME

As a result of the factors described above, net income for fiscal 2001 excluding non-comparable items was $55.9 million, or $1.36 per share on a fully diluted basis, compared with $64.9 million, or $1.60 per share on a fully diluted basis in fiscal 2000.

Gross profit for fiscal 2000 wa
net sales, compared with $528.2
sales, in fiscal 1999. This inc
sales resulted from overall imp
penetration of seasonal and pro
improvements in buying. In addi
freight and related distributio
net sales as a result of the le
centralized distribution networ

EXPENSES

SG&A expenses for fiscal 2000 w
of net sales, compared with

$443.6 million, or 34.1% of net sales, in fiscal 1999. Corporate office and promotional expenses were leveraged, which were offset by investments in store payroll in order to continue to improve our guest service levels.

Operating profit for fiscal 2000 increased to $107.1 million, or 6.8% of net sales, up from $84.6 million, or 6.5% of net sales during fiscal 1999.

Net interest expense in fiscal 2000 increased to $1.9 million, up from $43,000 during fiscal 1999. This increase was due to higher net average loan balances and higher interest rates during fiscal 2000.

The Company's income tax expense for fiscal 2000 was $40.2 million, compared with $32.5 million during fiscal 1999. The Company's effective tax rate was 38.2% in fiscal 2000 compared with 38.4% in fiscal 1999.

NET INCOME

Net income for fiscal 2000 was $64.9 million, or 4.1% of net sales, compared with $52.1 million, or 4.0% of net sales in fiscal 1999.

LIQUIDITY AND CAPITAL RESOURCES

The Company's capital requirements are primarily for new store expenditures, new store inventory purchases and seasonal working capital. These requirements have been funded through a combination of internally generated cash flow from operations, credit extended by suppliers and short-term borrowings.

The Company has available a $150 million senior revolving credit facility agreement (the "Credit Agreement") with third party institutional lenders, expiring October 20, 2003. The Credit Agreement also allows for up to $40 million

stipulated in the Credit Agreem
plus LIBOR based rate. The Cred
financial covenants, including
maintenance of a minimum tangib
charge coverage ratio, and a ma
end of fiscal 2001, the Company
terms of the Credit Agreement.
contains a covenant that limits
dividends, pursuant to which th
exceed the sum of $50 million p
amount equal to 50% of the cons
fiscal quarter, commencing with
September 30, 2000. The Company
dividends. At various times thr
the Company borrowed against th
1998 Credit Agreement for seaso
the end of fiscal 2001, the Com
borrowings at a weighted averag
the end of fiscal 2000, the Com
borrowings at a weighted averag
addition, as of December 29, 20
Company had $21.6 million and $
of letters of credit outstandin
for merchandise purchases.

Net cash provided by operating
year ended 2001 was $44.3 milli
million for the same period in
net cash used in operating acti
attributed to the timing of ven
decline in inventory turn. Net
activities is our principal sou
therefore, a decline in demand
offerings could impact the avai
expansion.

Net cash used in investing acti
ended 2001 was $100.0 million,

in borrowings from uncommitted lines of credit outside of the Credit Agreement. The Credit Agreement replaced the 1998 $90 million revolving line of credit which allowed for up to $25 million in borrowings from uncommitted lines of credit (the "1998 Credit Agreement"). Interest on all borrowings is determined based upon several alternative rates as

for the same period in fiscal 2
included an increase in capital
the opening of 63 new stores co
fiscal 2000, capital expenditur
third distribution center which

in the Spring 2002 and an increase in the number of store remodels in fiscal 2001 compared with fiscal 2000. The Company currently estimates capital expenditures will be approximately $75 million to $80 million in fiscal 2002, primarily for an estimated 50 new stores, store remodels, the third distribution center and system enhancements.

Net cash provided by financing activities for the fiscal year ended 2001 was $32.7 million compared with $9.2 million for the same period in fiscal 2000. The increase was principally due to an increase in short-term borrowings to fund the Company's operations.

As discussed in Note 9 to the Consolidated Financial Statements, the Company is committed for future minimum rental payments primarily for its retail stores for amounts, which aggregate approximately $2.0 billion. In addition, as of January 30, 2002, the Company had fully executed leases for 44 stores planned to open in fiscal 2002.

Management regularly reviews and evaluates its liquidity and capital needs. The Company experiences peak periods for its cash needs during the course of its fiscal year, with such peak periods generally expected during the second quarter and fourth quarter of the current fiscal year. As the Company's business continues to grow and its current store expansion plan implemented, such peak periods may require increases in the amounts available under its credit facility from those currently existing and/or other debt or equity funding. The Company currently believes it would have access to necessary additional debt and/or capital markets funding as such needs may require. Management currently believes that the Company's cash flows from operations, credit extended by suppliers, its existing credit facilities, uncommitted lines of credit, and such other or additional debt or capital markets funding as it may seek to obtain, will be sufficient to fund its expected capital expenditure, working capital and non-acquisition business expansion requirements for the foreseeable future.

MARKET RISK DISCLOSURE

The Company continuously evalua
associated with its financial i
relating to the Company's opera
changes in interest rates and f
Company does not engage in fina
trading or speculative purposes

INTEREST RATE RISK
The Company's financial instrum
equivalents and short-term borr
obligations are short-term in n
than a 30-day commitment. The C
rate risks primarily through bo
Agreement. Interest on all borr
alternative rates as stipulated
including a fixed rate plus LIB
29, 2001, the Company had $29.7
the Credit Agreement at an aver
(see Note 7 to the Consolidated
Company believes that its inter
hypothetical 10% increase or de
the associated debt's variable
affect the Company's results of
The Company does not use deriva
its investment portfolio.

FOREIGN CURRENCY RISK
The Company enters into some pu
the United States, which are pr
dollars and, therefore, the Com
exposure to foreign currency ex
does not hedge against foreign
that foreign currency exchange

In addition, the Company operat
December 29, 2001. The Company
translation risk is minimal, as
strengthening or weakening of t
the Canadian dollar would not m
Company's results of operations

INFLATION AND SEASONALITY

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

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

RECENT ACCOUNTING PRONOUNCEMENTS

The Company has adopted Statement of Financial Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"). This statement was effective for the first quarter of fiscal years beginning after June 15, 2000. For the Company, implementation was required for the first quarter of fiscal 2001. The implementation of SFAS No. 133 did not have a significant effect on the Company's results of operations or financial position.

At a recent FASB Emerging Issues Task Force ("EITF") meeting, a consensus was reached with respect to the issue of "Accounting for Certain Sales Incentives," including point of sale coupons, rebates and free merchandise. The consensus included a conclusion that the value of such sales incentives that result in a reduction of the price paid by the customer should be netted against sales and not classified as a sales or marketing expense. In April 2001, the EITF delayed the effective date for this consensus to 2002. The Company already includes such sales incentives as a reduction of sales and

records free merchandise in cos
by the new EITF consensus.

In July 2001, the FASB issued S
Intangible Assets" ("SFAS No. 1
Opinion No. 17, "Intangible Ass
the current requirement to amor
assets with indefinite useful l
amortization of intangible asse
and addresses the impairment te
goodwill and intangible assets.
adopt SFAS No. 142 in fiscal 20
SFAS No. 142, the Company will
which was approximately $850,00

In June 2001, the FASB issued S
Asset Retirement Obligations" (
addresses financial accounting
associated with the retirement
and the associated asset retire
requires that the fair value of
retirement obligation be recogn
it is incurred if a reasonable
made. This statement is effecti
2003. The Company already recog
liability for an asset retireme
in which it is incurred.

In August 2001, the FASB issued
for the Impairment or Disposal
No. 144"), which supersedes bot
"Accounting for the Impairment
Long-Lived Assets to Be Dispose
the accounting and reporting pr
30, "Reporting the Results of O
Effects of Disposal of a Segmen
Extraordinary, Unusual and Infr
Transactions" ("APB No. 30") fo
of a business. The fundamental
for recognizing and measuring i
long-lived assets held for use

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to be disposed of by sales have been retained by SFAS No. 144. SFAS No. 144 also retains the basic provisions of APB No. 30 on how to present discontinued operations in the income statement and also broadens that presentation to

management determines to close
be subject to change should act

include a component of an entity (rather than a segment of a business). An impairment assessment under SFAS No. 144 will no longer result in a write-down of goodwill. Instead, goodwill will be evaluated for impairment under SFAS No. 142, Goodwill and Other Intangible Assets.

SFAS No. 144 is effective for the Company in fiscal 2002. The Company does not expect the adoption of SFAS No. 144 for long-lived assets held for use to have a material impact on the Company's financial statements as the impairment assessment under SFAS No. 144 is predominately unchanged from SFAS No. 121.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts and timing of revenues and of expenses during the reporting period. The Company's management believes the following critical accounting policies, among others, involve significant estimates and judgments inherent in the preparation of the consolidated financial statements. The Company estimates future sales returns, and when material, records a provision in the period that the related sales are recorded based on historical information. Should actual returns differ from the Company's estimates, revisions to estimated sales return may be required. The Company records estimated inventory shrink expense based upon historical experience between the dates of physical inventories. Although inventory shrink rates have not fluctuated significantly over the past several years, should actual inventory shrink rates differ from the Company's estimates, revisions to inventory shrink expense may be required. The Company records estimated store closure costs in the period in which

FORWARD-LOOKING STATEMENTS

This annual report contains for
within the meaning of The Priva
Reform Act of 1995. The stateme
times and may be identified by
terminology as "expect," "belie
"intend," "plan," "target" and
variations of such terms. All o
constitutes forward-looking inf
forward-looking statements are
expectations, assumptions, esti
our Company and involve certain
uncertainties, including levels
acceptance of product offerings
our new business concepts and s
of our new store openings, comp
home furnishings retailers, the
expansion, availability of suit
schedule of store expansion and
impact of the bankruptcies and
industry, the impact on consume
slowing consumer economy and a
environment. Actual results may
forward-looking statements. The
factors are included in the "Ri
Company's Registration Statemen
the Securities and Exchange Com
may be contained in subsequent
Securities and Exchange Commiss
consider all such factors. In l
inherent in such forward-lookin
consider their inclusion to be
forward-looking matters will be
assumes no obligation for updat
statements to reflect actual re
or changes in other factors aff
statements.

CONSOLIDATED STATEMENTS OF OPERATIONS (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

FISCAL YEAR ENDED	DECEMBER 29, 2001	DECE
NET SALES	$1,823,803	
Cost of sales, including buying and distribution costs	1,081,259	
GROSS PROFIT	742,544	
Selling, general and administrative expenses	652,058	
Restructuring and asset impairment charge	34,006	

Litigation charge	4,000	
OPERATING PROFIT	52,480	
Interest income	(27)	
Interest expense	3,897	
Interest expense, net	3,870	
Income before income taxes	48,610	
Provision for income taxes	18,861	
NET INCOME	$ 29,749	
Per share of common stock:		
BASIC		
Net income	$ 0.73	
Weighted average shares outstanding	40,508	
DILUTED		
Net income	$ 0.72	
Weighted average shares outstanding	41,193	

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED BALANCE SHEETS (IN THOUSANDS, EXCEPT SHARE AMOUNTS)

	DECEMBE 200
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	$
Accounts receivable	
Inventories	
Prepaid expenses and other current assets	
Current deferred taxes	
TOTAL CURRENT ASSETS	
Property and equipment, net	
Goodwill, net of accumulated amortization of $9,064 at December 29, 2001 and $8,214 at December 30, 2000	
Deferred charges and other non-current assets, net	
TOTAL ASSETS	$
LIABILITIES AND SHAREHOLDERS' EQUITY	
CURRENT LIABILITIES:	
Accounts payable	$

Accrued expenses and other current liabilities..........................	
Short-term borrowings	
TOTAL CURRENT LIABILITIES..	
Deferred income taxes and other long-term liabilities...................	
SHAREHOLDERS' EQUITY:	
Preferred stock, $0.01 par value; 1,000,000 shares authorized; none issued and outstanding..	
Common stock, $0.01 par value; 135,000,000 shares authorized; 40,872,008 shares issued and 40,624,374 shares outstanding at December 29, 2001; 40,173,441 shares issued and 40,059,126 shares outstanding at December 30, 2000...	
Additional paid-in capital...	
Retained earnings..	
Accumulated other comprehensive (loss) income	
Treasury stock, at cost; 247,634 shares at December 29, 2001 and 114,315 shares at December 30, 2000...	
TOTAL SHAREHOLDERS' EQUITY...	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY..................................	$

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	COMMON STOCK		ADDITIONAL PAID-IN
	SHARES	AMOUNT	CAPITAL
(IN THOUSANDS, EXCEPT NUMBER OF SHARES)			
BALANCE AT DECEMBER 31, 1998.............	39,037,948	$391	$211,378
Net income...............................	--	--	--
Common stock issued under stock incentive plans.......................	463,978	5	9,373
Purchase of treasury stock................	(23,144)	--	--
BALANCE AT JANUARY 1, 2000................	39,478,782	396	220,751
Net income...............................	--	--	--
Currency translation adjustment...........	--	--	--
Comprehensive earnings..............			
Common stock issued under stock incentive plans.......................	618,182	6	10,796
Purchase of treasury stock................	(37,838)	--	--
BALANCE AT DECEMBER 30, 2000.............	40,059,126	402	231,547

Net income..............................	--	--	--	
Currency translation adjustment..........	--	--	--	
Comprehensive earnings..............				
Common stock issued under stock incentive plans......................	698,567	7	13,687	
Purchase of treasury stock...............	(133,319)	--	--	
BALANCE AT DECEMBER 29, 2001.............	40,624,374	$409	$245,234	

	TREASURY STOCK	TOTAL
BALANCE AT DECEMBER 31, 1998.............	$(1,390)	$323,576
Net income..............................	--	52,052
Common stock issued under stock incentive plans......................	--	9,378
Purchase of treasury stock...............	(1,044)	(1,044)
BALANCE AT JANUARY 1, 2000...............	(2,434)	383,962
Net income..............................	--	64,937
Currency translation adjustment..........	--	289
Comprehensive earnings..............		65,226
Common stock issued under stock incentive plans......................	--	10,802
Purchase of treasury stock...............	(996)	(996)
BALANCE AT DECEMBER 30, 2000.............	(3,430)	458,994
Net income..............................	--	29,749
Currency translation adjustment..........	--	(706)
Comprehensive earnings..............		29,043
Common stock issued under stock incentive plans......................	--	13,694
Purchase of treasury stock...............	(3,516)	(3,516)
BALANCE AT DECEMBER 29, 2001.............	$(6,946)	$498,215

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF CASH FLOWS (IN THOUSANDS)

FISCAL YEAR ENDED	DECEMBER 29, 2001	DECEMBER 2000

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income	$ 29,749
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	40,113
Deferred income taxes	(6,025)
Loss on disposal of assets	1,335
Federal tax benefit from common stock issued under stock incentive plans	3,671
Restructuring and asset impairment charge	37,837
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(9,364)
Increase in inventories	(59,720)
Increase in prepaid expenses and other current assets	(1,532)
Increase in deferred charges and other non-current assets	(2,060)
(Decrease) increase in accounts payable	(2,510)
Increase in accrued expenses and other liabilities	12,764
NET CASH PROVIDED BY OPERATING ACTIVITIES	44,258
CASH FLOWS FROM INVESTING ACTIVITIES:	
Additions to property and equipment	(100,028)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from common stock issued under stock incentive plans	10,023
Purchase of treasury stock	(3,516)
Increase in short-term borrowings	26,182
NET CASH PROVIDED BY FINANCING ACTIVITIES	32,689
Effect of exchange rate changes on cash and cash equivalents	(6)
Net (decrease) increase in cash and cash equivalents	(23,087)
Cash and cash equivalents at beginning of year	38,524
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 15,437

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

CASH PAID DURING THE YEAR FOR:	
Interest (net of amounts capitalized)	$ 4,059
Income taxes	$ 23,514

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS

Linens 'n Things, Inc. and its subsidiaries (collectively the "Company") operate in one segment, the retail industry, and had 343 stores in 43 states across the United States and four Provinces in Canada as of the fiscal year ended December 29, 2001. The Company's stores emphasize a broad assortment of home textiles, housewares and home accessories, carrying both national brand and private label goods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

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

FISCAL PERIODS

The Company utilizes a 52/53-week period ending on the Saturday nearest the last day of December. Accordingly, fiscal 2001, 2000 and 1999 were 52-week periods, which ended on December 29, 2001, December 30, 2000 and January 1, 2000, respectively.

REVENUE RECOGNITION

The Company recognizes revenue at the time of sale of merchandise to its customers. Provisions for estimated future sales returns when material are recorded in the period that the related sales are recorded. The Company determines the amount of provision based on historical information. Sales discounts, coupons and other similar incentives are recorded as a reduction of sales revenue in the period when the related sales are recorded.

INVENTORIES

Inventories consist of finished goods merchandise purchased from domestic and foreign vendors and are carried at the lower of cost or market; cost is determined by the retail inventory method of accounting. Amounts are removed from inventory at the average cost method.

DEFERRED RENT

The Company accrues for scheduled rent increases contained in its leases on a straight-line basis over the non-cancelable lease term.

STORE OPENING AND CLOSING CO

New store opening costs are
In the event a store is clos
the remaining lease obligati
rental income and asset impa
improvements and fixtures an
costs is provided for in the
determines to close a store.

For fiscal 2001, the Company
restructuring and asset impa
related to the accelerated c
stores (See Note 3 to the Co
Statements). For fiscal 2000
related to store closings ha
were no reserves for store c
2000 or 1999.

FINANCIAL INSTRUMENTS

Cash and cash equivalents, a
payable and accrued expenses
consolidated financial state
approximate fair value due t
instruments. The carrying va
approximates the fair value
available to the Company for

CASH AND CASH EQUIVALENTS

Cash equivalents are conside
securities with maturities o
purchased.

PROPERTY AND EQUIPMENT

Property and equipment are s
computed on a straight-line
lives of the assets (40 year
years for furniture, fixture
software costs are amortized
their estimated useful lives
the year placed in service.
amortized over the shorter o
economic lives of the relate

Maintenance and repairs are
incurred. Major renewals or
after making the necessary a
accumulated depreciation acc
replaced.

IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets, including fixed assets and goodwill, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, the Company estimates the undiscounted future cash flows to result from the use of the asset and its ultimate disposition. If the sum of the undiscounted cash flows is less than the carrying value, the Company recognizes an impairment loss, measured as the amount by which the carrying value exceeds the fair value of the asset. Fair value would generally be determined by market value. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

DEFERRED CHARGES

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

GOODWILL

Prior to fiscal 2002, the excess of acquisition costs over the fair value of net assets acquired was amortized on a straight-line basis over 32 years. Beginning in fiscal 2002, the Company will adopt SFAS No. 142, "Goodwill and Intangible Assets" which no longer permits the amortization of goodwill.

COSTS OF SALES

In addition to the cost of inventory sold, the Company includes its buying and distribution expenses in its cost of sales. Buying expenses include all direct and indirect costs to procure merchandise. Distribution expenses include the cost of operating the Company's distribution centers and freight expense related to transporting merchandise.

ADVERTISING COSTS

The Company expenses the production costs of advertising at the commencement date of the advertisement. Advertising costs were $49.7 million, $39.6 million and $35.6 million for fiscal years 2001, 2000 and 1999, respectively.

INCOME TAXES

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured

using enacted tax rates expe
in the years in which those
expected to be recovered or
tax assets and liabilities o
rates is recognized in incom
the enactment date.

STOCK BASED COMPENSATION

The Company grants stock opt
fixed number of shares to em
the stock options are equal
underlying shares at the dat
adopted the disclosure provi
Accounting Standards No. 123
for Stock-Based Compensation
provisions of SFAS No. 123,
option grants and restricted
Accounting Principles Board
"Accounting for Stock Issued
Company does not recognize c
option grants and amortizes
market value over specified

EARNINGS PER SHARE

The Company presents earning
"diluted" basis. Basic earni
dividing net income by the w
shares outstanding during th
share is computed by dividin
average number of shares out
common stock equivalents.

The calculation of basic and
("EPS") for fiscal 2001, 200
thousands, except per share

	20
Net Income............	$29,7
Average Shares Outstanding:	
Basic	40,5
Effect of outstanding stock options and restricted stock grants	6
Diluted..............	41,1
Earnings per share	
Basic...............	$.0.
Diluted.............	$.0.

Options for which the exerci
average market price of comm
ended 2001, 2000 and 1999 we
computation of diluted earni
of options totaling 1,495,00
43,000 shares, respectively.
excluded from the computatio

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per share due to the application of the treasury stock method were 13,000 shares , 20,000 shares and 3,000 shares for fiscal years ended 2001, 2000 and 1999, respectively.

USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts and timing of revenues and of expenses during the reporting period. The Company's management believes the following critical accounting policies, among others, involve significant estimates and judgments inherent in the preparation of the consolidated financial statements. The Company estimates future sales returns and, when material, records a provision in the period that the related sales are recorded based on historical information. Should actual returns differ from the Company's estimates, revisions to estimated sales return may be required. The Company records estimated inventory shrink expense based upon historical experience between the dates of physical inventories. Although inventory shrink rates have not fluctuated significantly over the past several years, should actual inventory shrink rates differ from the Company's estimates, revisions to inventory shrink expense may be required. The Company records estimated store closure costs in the period in which management determines to close a store. Such estimates may be subject to change should actual results differ.

RECLASSIFICATIONS

Certain reclassifications were made to the fiscal 2000 and 1999 consolidated financial statements in order to conform to the fiscal 2001 presentation.

3. RESTRUCTURING AND ASSET IMPAIRMENT CHARGE

During the fourth quarter of fiscal 2001, the Company developed and committed to a strategic initiative designed to improve store performance and profitability. This initiative calls for the closing of 17 under-performing stores, which did not meet the Company's profit objectives. These 17 stores generated sales of approximately $70 million

In connection with this ini
pre-tax restructuring and a
million ($23.7 million afte
fiscal 2001. Of the $37.8 m
in restructuring and asset
million is recorded in cost
after-tax cash portion, whi
approximately $15.2 million
portion of the charge is ap

A pre-tax reserve of $20.5
estimated lease commitments
reserve is included in accr
considers estimated subleas
leased and as such, the Com
the disposal of property ot
reserve of $9.5 million has
impairments for these store
represent fixtures and leas
was recorded as a reduction
Additionally, a pre-tax res
established for other estim
costs. A pre-tax reserve of
cost of sales for estimated
for the stores to be closed

4. ACCOUNTS RECEIVABLE

ACCOUNTS RECEIVABLE, CONSI
THE FOLLOWING (IN THOUSANDS)

Credit card settlements due.
Due from landlords and vendo
Other......................

Due to the short-term nat
no allowance for doubtful
of December 29, 2001 and

5. PROPERTY AND EQUIPMENT

in fiscal 2001, or less than 4% of total sales.These stores are geographically dispersed and there are no concentrated market closings. The closing of these stores will enable the Company to redeploy its financial, human and infrastructure resources to more productive stores.

PROPERTY AND EQUIPMENT CONSIST
OF THE FOLLOWING (IN THOUSANDS

Land	
Building......................	
Furniture, fixtures and equipm	
Leasehold improvements........	
Computer software............	
Less:	
Accumulated depreciation and amortization	

36

6. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES CONSISTED OF THE FOLLOWING (IN THOUSANDS):	FISCAL YEAR ENDED 2001	2000
Restructuring reserve.................	$24,501	$ --
Other taxes payable.............	24,296	18,383
Income taxes payable............	19,029	22,403
Salaries and employee benefits...	15,522	16,834
Other..........................	65,853	60,960
	$149,201	$118,580

Included in "other" are miscellaneous store operating and corporate office accrued expenses.

7. SHORT-TERM BORROWING ARRANGEMENTS

The Company has available a $150 million senior revolving credit facility agreement (the "Credit Agreement") with third party institutional lenders, expiring October 20, 2003. The Credit Agreement also allows for up to $40 million in borrowings from uncommitted lines of credit outside of the Credit Agreement. The Credit Agreement replaced the 1998 $90 million revolving line of credit, which allowed for up to $25 million in borrowings from uncommitted lines of credit (the "1998 Credit Agreement"). Interest on all borrowings is determined based upon several alternative rates as stipulated in the Credit Agreement, including a fixed rate plus LIBOR based rate. The Credit Agreement contains certain financial covenants, including those relating to the maintenance of a minimum tangible net worth, a minimum fixed charge coverage ratio, and a maximum

8. DEFERRED INCOME TAXES AND LIABILITIES

DEFERRED INCOME TAXES AND OTHE LONG-TERM LIABILITIES CONSISTE THE FOLLOWING (IN THOUSANDS):
Deferred income taxes.........
Deferred rent.................
Other.........................

9. LEASES

The Company has non-cancelable for retail stores, which expir generally contain renewal opti to 15 years and require the Co real estate taxes and common a rentals are paid based on a pe rental expense for all operati thousands):

Minimum rentals.....	$1
Contingent rentals..	
	1

leverage ratio. At the end of fiscal 2001, the Company was in compliance with the terms of the Credit Agreement. The Credit Agreement also contains a covenant that limits the amount of cash dividends, pursuant to which the amount of cash dividends may not exceed the sum of $50 million plus on a cumulative basis an amount equal to 50% of the consolidated net income for each fiscal quarter, commencing with the fiscal quarter ending September 30, 2000. The Company has never paid cash dividends. At various times throughout fiscal 2001 and 2000, the Company borrowed against the Credit Agreement and the 1998 Credit Agreement for seasonal working capital needs. At the end of fiscal 2001, the Company had $29.7 million of borrowings at a weighted average interest rate of 3.1%. At the end of fiscal 2000, the Company had $3.9 million of borrowings at a weighted average interest rate of 7.5%. In addition, as of December 29, 2001 and December 30, 2000, the Company had $21.6 million and $22.3 million, respectively, of letters of credit outstanding, which were primarily used for merchandise purchases. The Company is not obligated under any formal or informal compensating balance requirements.

Less: sublease rentals	
	$1

At fiscal year end 2001, the f
required under operating lease
sublease rentals excluding lea
stores and stores planned to b
thousands):

FISCAL YEAR	
2002	
2003	
2004	
2005	
2006	
Thereafter....................	
Total future minimum sublease	

In addition, as of January 30,
executed leases for 44 stores
2002.

10. STOCK INCENTIVE PLANS

The Company has adopted the 20
Plan (the "2000 Plan") and the
(collectively, the "Plans"). T

the granting of options, restricted stock grants and other stock-based awards (collectively, "awards") to key employees and non-officer directors. The 2000 Plan replaces both the Company's 1996 Incentive Compensation Plan (the "1996 Plan") and the 1996 Non-Employee Directors' Stock Plan (the "Directors' Plan"). Therefore, no future awards will be made under the 1996 Plan and the Directors' Plan, although outstanding awards under the 1996 Plan and the Directors' Plan will continue to be in effect. Under the 2000 Plan, an aggregate of 2,000,000 shares (plus any shares under outstanding awards under the 1996 Plan and the Directors' Plan which become available for further grants) is available for issuance of awards. Under the Broad-Based Equity Plan a total of 4,000,000 shares are currently available for issuance of awards to regular full time employees (excluding all executive officers).

At fiscal year end 2001, 1,0
outstanding under the Broad-
2001, 506,921 stock options
options were exercised and 6
canceled, and 137,946 stock
fiscal year end 2001 under t

The following tables summari
option transactions for the
Directors' Plan:

Balance at December 31, 1998

Stock options under the Plans are granted with exercise prices at the fair market value of the underlying shares at the date of grant. The right to exercise options generally commences one to five years after the grant date, and in all events, the options expire ten years after the grant date. Restrictions on restricted stock grants lapse over vesting periods of up to five years. Restricted stock grants are considered outstanding as of the grant date for purposes of computing diluted EPS and are considered outstanding upon vesting for purposes of computing basic EPS.

At fiscal year end 2001, 13,982 restricted stock grants were outstanding under the 1996 Plan and the Directors' Plan. During fiscal 2001, 121,577 restricted stock grants were released, no restricted stock grants were awarded and no restricted stock grants were canceled under the 1996 Plan and the Directors' Plan.

At fiscal year end 2001, 113,134 restricted stock grants were outstanding under the 2000 Plan. During fiscal 2001, 12,660 restricted stock grants were released, 28,667 restricted stock grants were awarded and no restricted stock grants were canceled.

At fiscal year end 2001, 2,145,581 stock options were outstanding under the 1996 Plan. During fiscal 2001, no stock options were granted, 471,787 stock options were exercised and 44,339 stock options were canceled, and 1,168,287 stock options were exercisable at fiscal year end 2001 under the 1996 Plan. At fiscal year end 2001, 54,800 stock options were outstanding under the Directors' Plan. During fiscal 2001, no stock options were granted, no stock options were exercised and no stock options were canceled, and 48,800 stock options were exercisable at fiscal year end 2001 under the Directors' Plan.

At fiscal year end 2001, 1,194,508 stock options were outstanding under the 2000 Plan. During fiscal 2001, 704,658 stock options were granted, no stock options were exercised and 1,150 stock options were canceled, and 125,750 stock options were exercisable at fiscal year end 2001 under the 2000 Plan.

Options granted
Options exercised
Options canceled

Balance at January 1, 2000

Options granted
Options exercised
Options canceled

Balance at December 30, 2000

Options granted
Options exercised
Options canceled

Balance at December 29, 2001

Options Exercisable as of:
January 1, 2000
December 30, 2000
December 29, 2001

RANGE OF EXERCISE PRICE	OUTSTAND AS OF DECEMBER 29
$7.75 -$9.75	250
$9.76 -$14.62	9
$14.63-$19.50	1,561
$19.51-$24.37	1,042
$24.38-$29.25	79
$29.26-$34.12	1,448
$34.13-$39.00	10
$39.01-$43.87	13
$43.88-$48.75	6
TOTAL	4,422

Options Exercisable

The effects of applying SFAS
disclosure are not necessari

RANGE OF EXERCISE PRICE	OUTSTANDING AS OF DECEMBER 29, 2001	WEIGHTED-AVERAGE EXERCISE PRICE
$7.75 -$9.75	250,184	$7.83
$9.76 -$14.62	9,300	$12.16
$14.63-$19.50	454,239	$17.44
$19.51-$24.37	253,221	$21.44
$24.38-$29.25	41,609	$26.36
$29.26-$34.12	455,481	$30.76
$34.13-$39.00	4,750	$36.74
$39.01-$43.87	7,500	$39.80
$43.88-$48.75	4,499	$44.87
Total	1,480,783	$21.08

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

FISCAL YEAR ENDED	2001	2000	1999
Expected life (years)..........	8.0	6.0	4.5
Expected volatility............	49.9%	55.0%	45.0%
Risk-free interest rate........	3.5%	5.1%	6.2%
Expected dividend yield........	0.0%	0.0%	0.0%

The weighted-average fair value of options granted as of December 29, 2001, December 30, 2000 and January 1, 2000 was $13.85, $14.39 and $12.10, respectively. The weighted-average fair value of restricted stock granted as of December 29, 2001, December 30, 2000 and January 1, 2000 was $15.04, $14.47 and $13.19, respectively.

The Company applies APB No. 25 and related interpretations in accounting for its stock-based compensation plans. Accordingly, no compensation cost has been recognized in connection with stock options under these plans in the accompanying consolidated financial statements. The compensation cost that has been charged against income for its restricted stock grants was $3.6 million, $3.4 million and $2.0 million for fiscal years 2001, 2000 and 1999, respectively. Set forth below are the Company's net income and net income per share presented "as reported" and as if compensation cost had been recognized in accordance with the provisions of SFAS No. 123:

	FISCAL YEAR ENDED		
(IN MILLIONS, EXCEPT PER SHARE DATA)	2001	2000	1999
NET INCOME:			
As reported......................	$29.7	$64.9	$52.1
Pro forma........................	$23.3	$59.8	$49.3
NET INCOME PER SHARE OF COMMON STOCK:			
Basic:			
As reported......................	$0.73	$1.63	$1.32
Pro forma........................	$0.58	$1.50	$1.25

11. EMPLOYEE BENEFIT PLANS

The Company has a 401(k) sav
to the plan amounted to appr
million and $1.9 million for
1999, respectively.

Effective July 1, 1999, the
benefit Supplemental Executi
SERP, which in part is funde
of certain life insurance po
executives with supplemental
to amounts received under th
plan. Under the terms of the
employment with the Company,
entitled to the benefit amou
beginning at or after age 55
related to the SERP of appro
2001, $34,000 for fiscal 200

12. INCOME TAXES

Deferred income taxes reflec
temporary differences betwee
and liabilities for financia
amounts used for income tax
of the Company's deferred ta
follows (in thousands):

Fiscal Year Ended
DEFERRED TAX ASSETS:
Employee benefits......
Inventories...........
Lease termination costs
Other..................
TOTAL DEFERRED TAX ASSETS...
DEFERRED TAX LIABILITIES:
Property and equipment.
NET DEFERRED TAX LIABILITY..

At December 29, 2001 and Dec
tax liability was included i
balance sheet as follows (in

Current deferred taxes......
Deferred income taxes.......
NET DEFERRED TAX LIABILITY..

Based on the anticipated rev
liabilities and the Company'
income, management believes
the Company will realize the

Diluted:			
As reported......................	$0.72	$1.60	$1.27
Pro forma........................	$0.57	$1.47	$1.20

Accordingly, no

valuation allowance against deferred tax assets is considered necessary.

The provision for income taxes comprised the following for:

(IN THOUSANDS):	FISCAL YEAR ENDED 2001	2000	1999
CURRENT:			
U.S. Federal.....	$21,726	$30,401	$25,449
U.S. State.......	2,728	3,868	3,224
Non-U.S.	432	871	--
	24,886	35,140	28,673
DEFERRED:			
U.S. Federal.....	(5,917)	4,572	3,328
U.S. State.......	(759)	570	456
Non-U.S.	651	(68)	--
	(6,025)	5,074	3,784
TOTAL	$18,861	$40,214	$32,457

The Company has not provided for Federal income tax on the undistributed income of its foreign subsidiaries because the Company intends to permanently reinvest such income.

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

	FISCAL YEAR ENDED 2001	2000	1999
Effective tax rate.........	38.8%	38.2%	38.4%
State income taxes, net of Federal benefit..........	(2.6)	(2.7)	(2.8)
Goodwill...................	(0.6)	(0.3)	(0.4)
Other......................	(0.6)	(0.2)	(0.2)
Statutory Federal income tax rate.................	35.0%	35.0%	35.0%

connection with this settlement.
has been made in early fiscal 20

14. SUMMARY OF QUARTERLY RESULT

(IN THOUSANDS, EXCEPT PER SHARE DATA)	FIRST QUARTER	SECOND QUARTER
NET SALES		
2001	$379,245	$387,715
2000	$326,976	$339,655
GROSS PROFIT		
2001	150,702	162,161
2000	128,301	139,683
NET INCOME		
2001	4,693	2,109
2000	5,055	6,947
NET INCOME PER SHARE BASIC1		
2001	$ 0.12	$ 0.05
2000	$ 0.13	$ 0.18
DILUTED1		
2001	$ 0.11	$ 0.05
2000	$ 0.13	$ 0.17

1 NET INCOME PER SHARE AMOUNTS TO BE COMPUTED INDEPENDENTLY COMPUTED FOR THE FISCAL YEAR.
2 INCLUDES AFTER-TAX LITIGATION $0.06 PER SHARE ON A FULLY DI
3 INCLUDES PRE-TAX RESTRUCTURIN ESTIMATED INVENTORY MARKDOWNS ACCELERATED CLOSING OF 17 STO
4 INCLUDES AFTER-TAX RESTRUCTUR OF $23.7 MILLION OR $0.58 PER BASIS ASSOCIATED WITH THE ACC

15. MARKET INFORMATION (UNAUDI

The Company's common stock is li

13. COMMITMENTS AND CONTINGENCIES

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

The Company had been named as a defendant in California litigation in which the court certified the case as a class action on behalf of certain managers of Company stores located in California seeking overtime pay, together with class action claims on behalf of certain former employees seeking accrued vacation pay. In the second quarter of fiscal 2001, the Company recorded a pre-tax charge of $4.0 million ($2.5 million after-tax) related to the settlement payments, attorneys' fees and estimated expenses of administering the settlement. On October 24, 2001, the court gave preliminary approval to a settlement reached in the case. An order granting final approval of class action settlement was signed on December 19, 2001. The Company admitted no liability in

Exchange. Its trading symbol is
dividend on its common stock. Th
the Company's common stock for e

FOR FISCAL 2001

First Quarter...................
Second Quarter..................
Third Quarter...................
Fourth Quarter..................

FOR FISCAL 2000

First Quarter...................
Second Quarter..................
Third Quarter...................
Fourth Quarter..................

At fiscal year end 2001, there w

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

/s/ Norman Axelrod

Norman Axelrod
Chairman and Chief Executive Officer

/s/ William T. Giles

William T. Giles
Senior Vice President, Chief Financial Officer

January 30, 2002

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Linens 'n Things, Inc. and Subsidiaries as of December 29, 2001 and December 30, 2000, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the years in the three-year period ended December 29, 2001. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Linens 'n Things, Inc. and Subsidiaries as of December 29, 2001 and December 30, 2000, and the results of their operations and their cash flows for each of the years in the three-year period ended December 29, 2001 in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

KPMG LLP

New York, New York
January 30, 2002