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

FORM 10-K

(Mark one)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended March 1, 1997

OR

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

Commission File Number 0-20214

BED BATH & BEYOND INC.
(Exact name of registrant as specified in its charter)

NEW YORK	11-2250488
(State of incorporation)	(IRS Employer Identification No.)

650 LIBERTY AVENUE, UNION, NEW JERSEY	07083
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: 908/688-0888

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

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
None	None

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

COMMON STOCK (PAR VALUE $ 0.01 PER SHARE)
(Title of class)

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. [ ]

As of May 9, 1997, the aggregate market value of the common stock held by non-affiliates (which was computed by reference to the closing price on such date of such stock on the NASDAQ National Market) was $1,364,329,887.*

Number of shares outstanding of the issuer's common stock (par value $0.01 per share) at May 9, 1997: 68,646,640.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement filed on May 16, 1997 pursuant to Regulation 14A are incorporated by reference in Part III hereof.

Portions of the Registrant's Annual Report to Shareholders for the fiscal year-ended March 1, 1997 are incorporated by reference in Part II hereof.

* For purposes of this calculation, all outstanding shares of common stock have been considered held by non-affiliates other than the 18,348,764 shares beneficially owned by directors and executive officers, including in the case of the Co-Chief Executive Officers, partnerships in which they are general partners, and trusts and foundations affiliated with them. In making such calculation, the Registrant does not determine the affiliate or non-affiliate status of any shares for any other purpose.

PART I

Unless otherwise indicated, the terms "Company" and "Bed Bath & Beyond" refer collectively to Bed Bath & Beyond Inc. and its subsidiaries. Effective February 26, 1996, the Company changed its fiscal year from the 52 or 53 week period ending on the Sunday nearest February 28 to the 52 or 53 week period ending on the Saturday nearest February 28. Accordingly, fiscal 1996 consisted of 52 weeks and 6 days and ended on March 1, 1997; fiscal 1995 consisted of 52 weeks and ended on February 25, 1996; and fiscal 1994 consisted of 52 weeks and ended on February 26, 1995. Unless otherwise indicated, all references herein to periods of time (e.g., quarters and years) are to fiscal periods.

ITEM 1 - BUSINESS

INTRODUCTION

Bed Bath & Beyond believes that it is the nation's largest operator of "superstores" selling predominantly better quality domestics merchandise and home furnishings typically found in better department stores. The term "superstore" as used herein means a store, other than a department store, that is larger in size than the typical stores in its market selling similar product categories and offers a breadth and depth of selection in most of its product categories that far exceeds what is available in such stores. The Company offers a wide assortment of merchandise at everyday low prices that are substantially below regular department store prices and generally comparable to or below department store sale prices. The Company's domestics merchandise line includes items such as bed linens, bath accessories and kitchen textiles, and the Company's home furnishings line includes items such as cookware, dinnerware, glassware and basic housewares. The Company believes that it offers a breadth and depth of selection in most of its product categories that far exceeds what is generally available in department stores or other specialty retail stores and that this enables it to offer customers the convenience of one-stop shopping for most household items.

As of May 9, 1997, the Company operated 114 stores in 26 states: Alabama (1), Arizona (2), California (14), Colorado (2), Connecticut (3), Florida (11), Georgia (5), Illinois (8), Indiana (2), Kansas (1), Maryland (4), Massachusetts (4), Michigan (4), Missouri (1), New Jersey (7), New Mexico (1), New York (11), North Carolina (2), Ohio (4), Oklahoma (1), Pennsylvania (2), Tennessee (2), Texas (13), Virginia (7), Washington (1) and Wisconsin (1). 110 of these stores use the superstore format that was pioneered by the Company in 1985. These stores are on average approximately 41,000 square feet in size and carry the Company's full line of both domestics merchandise and home furnishings. The other four stores, all established prior to 1986, are smaller stores that primarily carry domestics merchandise.

HISTORY

The Company was founded in 1971. Leonard Feinstein and Warren Eisenberg, the Co-Chief Executive Officers and founders of the Company, each has more than 35 years of experience in the retail industry.

The Company commenced operations in 1971 with the opening of two stores, one in New York and one in New Jersey. These stores operated under the name "bed n bath" and sold primarily bed linens and bath accessories. The Company continued to open bed n bath stores and by 1985 had opened stores in New York, New Jersey, Connecticut and California. In 1985, the Company introduced its superstore format with the opening of its first store carrying a full line of both domestics merchandise and home furnishings. All stores opened by the Company after 1985 use this format and carry the Company's full line of domestics merchandise and home furnishings. The Company began using the name "Bed Bath & Beyond" in 1987 in order to reflect the expanded product line offered by its superstores and to distinguish its superstores from conventional specialty retail stores offering only domestics merchandise or only home furnishings.

The Company has been engaged in an ongoing expansion program involving the opening of new superstores (including 28 in 1996, 19 in 1995 and 16 in 1994) and the expansion of existing stores (including two in 1996, two in 1995 and four in 1994). As a result of its expansion program, the Company's store space has increased from approximately 917,000 square feet at the beginning of 1992 to approximately 4,347,000 square feet at the end of 1996. The Company's expansion program is continuing, and the Company currently anticipates that in 1997 it will open approximately 30 new superstores, which includes the six new superstores opened through May 9, 1997.

MERCHANDISING AND MARKETING

The Company's strategy for merchandising and marketing is to offer better quality merchandise at everyday low prices; to maintain a breadth and depth of selection in most of its product categories that far exceeds what is generally available in department stores or other specialty retail stores; to present merchandise in a distinctive manner designed to maximize customer convenience and reinforce customer perception of wide selection; and to emphasize dedication to customer service and satisfaction.

MERCHANDISE SELECTION

The Company's 110 superstores offer both domestics merchandise and home furnishings, while the Company's four smaller stores offer primarily domestics merchandise. The Company's merchandise lines include:

Domestics Merchandise

- bed linens and related items: sheets, comforters, comforter covers, bedspreads, quilts, window treatments, decorative pillows, blankets, dust ruffles, bed pillows and mattress pads.

- bath accessories: towels, shower curtains, waste baskets, hampers, bathroom rugs and wall hardware.

- kitchen textiles: tablecloths, placemats, cloth napkins, dish towels and chair pads.

Home Furnishings

- kitchen and tabletop items: cookware, cutlery, kitchen gadgets, dinnerware, bakeware, flatware, drinkware, serveware and glassware.

- basic housewares: storage items, closet-related items (such as hangers, organizers and shoe racks), general housewares (such as brooms, garbage pails and ironing boards), lifestyle accessories (such as lamps, chairs, ready to assemble furniture, wicker and clocks) and small electric appliances (such as blenders, coffee makers, vacuums, irons, toaster ovens and hair dryers).

- general home furnishings: giftwrap, candles, personal care products, picture frames, wall art, juvenile items (such as toys and children's books), artificial plants and flowers and seasonal merchandise (such as summer and holiday related items).

The Company, on an ongoing basis, tests new merchandise categories and adjusts the categories of merchandise carried in its stores and may add new departments or adjust the size of existing departments as required. The Company believes that the process of adding new departments and expanding or reducing the size of various departments in response to changing conditions is an important part of its merchandising strategy.

The Company's merchandise consists primarily of better quality merchandise typically found at better department stores. For those product lines that have brand names associated with them, the Company generally offers leading brand name merchandise (including Wamsutta, Martex, Fieldcrest Cannon, Croscill, Laura Ashley, Calphalon, Mikasa, Krups, J.A. Henckels, All-Clad, Portmeirion, Rowenta, Black & Decker, Rubbermaid, Springs, Braun, Pillowtex and Waverly). The Company estimates that brand name merchandise accounts for a significant portion of its net sales.

The Company offers a breadth and depth of product selection that enables customers to select among a wide assortment of styles, brands, colors and designs within each of the Company's major product lines. The Company also generally maintains consistent in-stock availability of merchandise in order to reinforce customer perception of wide selection and build customer loyalty. The Company estimates that many of its 110 superstores carry in excess of 30,000 stock-keeping units.

PRICING POLICY

The Company's pricing policy is to maintain everyday low prices that are substantially below regular department store prices and generally comparable to or below department store sale prices. The Company regularly monitors price levels at its competitors in order to ensure that the Company's prices are being maintained in accordance with its pricing policy. The Company believes that the application of its everyday low price policy is essential to maintaining the integrity of this policy and is an important factor in establishing its reputation among customers.

Because the Company has an everyday low price policy, the Company does not run sales. However, the Company uses periodic markdowns and semi-annual clearances for merchandise that it has determined to discontinue carrying. In addition, the Company's direct mail and newspaper insert advertising includes a coupon, which is redeemed at the point-of-sale. The Company also honors competitor coupons.

MERCHANDISE PRESENTATION

The Company has developed a distinctive style of merchandise presentation. In each superstore, groups of related product lines are presented together in separate areas of the store, creating the appearance that a Bed Bath & Beyond superstore is comprised of several individual specialty stores for different product lines. A "racetrack layout" that runs throughout the store facilitates moving between areas and encourages customers to shop the entire store. The Company believes that its format of merchandise presentation makes it easy for customers to locate products, reinforces customer perception of wide selection and communicates to customers that Bed Bath & Beyond superstores offer a level of customer service generally associated with smaller specialty stores.

Merchandise is displayed in each of these separate areas from floor to ceiling (generally 10 to 14 feet high) and, in addition, seasonal merchandise and impulse items are prominently displayed in the front of the store. The Company believes that its extensive merchandise selection, rather than fixturing, should be the focus of customer attention and, accordingly, uses simple modular fixturing throughout the store. This fixturing is designed so that it can be easily reconfigured to adapt to changes in the Company's merchandise mix and presentation. The Company believes that its floor to ceiling displays create an exciting and attractive shopping environment that encourages impulse purchases of additional items.

CUSTOMER SERVICE

The Company places great emphasis on customer service and satisfaction and, over the past 26 years, has sought to make this a defining feature of its corporate culture. All managers provide leadership by example in this area by regularly spending time assisting customers on the selling floor. The Company believes that its success in the area of customer service is evidenced by its ability to rely primarily on "word of mouth advertising".

The Company seeks to make shopping at its stores as pleasant and convenient as possible. Each area within a store is staffed with knowledgeable sales personnel who are available to assist customers in choosing merchandise, to answer questions and to resolve any problems that may arise. In order to make checking out convenient, check-out lines are continually monitored and additional cashiers are added as necessary in order to minimize waiting time. Returning merchandise is simplified through a return policy that permits customers to return most items without presenting a sales receipt. Most Bed Bath & Beyond stores are open seven days (and six evenings) a week in order to enable customers to shop at times that are convenient for them.

ADVERTISING

In general, the Company relies on "word of mouth advertising" and on its reputation for offering a wide assortment of quality merchandise at everyday low prices, supplemented by the use of paid advertising. The Company uses direct mail and newspaper inserts as its primary vehicles of paid advertising. In certain instances, paid radio and television advertising may be used. Also, in connection with the opening of new stores, the Company uses direct mail and newspaper inserts. The Company believes that its ability to rely primarily on "word of mouth advertising" will continue and that its limited use of paid advertising permits it to spend less on advertising than a number of its competitors.

EXPANSION

The Company is engaged in an ongoing expansion program involving the opening of new stores in both existing and new markets and the expansion or replacement of existing stores with larger stores. As a result of this program, the total number of stores has increased from 34 at the beginning of 1992 to 108 at the end of 1996, and the total square footage of store space has increased from approximately 917,000 square feet at the beginning of 1992 to approximately 4,347,000 square feet at the end of 1996.

The table below sets forth information concerning the Company's expansion program for the periods indicated:

YEAR	REPLACED STORES (1)	NEW STORES (2)	CLOSED STORES	STORE SPACE BEGINNING OF YEAR	STORE SPACE END OF YEAR	NUMBER OF STORES BEGINNING OF YEAR	NUMBER OF STORES END OF YEAR
				(IN SQUARE FEET)			
1992	5	4	--	917,000	1,128,000	34	38
1993	4	9	2	1,128,000	1,512,000	38	45
1994	4	16	--	1,512,000	2,339,000	45	61
1995	2	19	--	2,339,000	3,214,000	61	80
1996	2	28	--	3,214,000	4,347,000	80	108

(1) A replaced store is an existing store that was either expanded or replaced by a new store in the same area.
(2) Excludes any new store that replaced an existing store in the same area.

The Company intends to continue its expansion program and believes that the continued growth of the Company is dependent, in large part, on the success of this program. As part of its expansion program, the Company expects to open new superstores and, in addition, expects to expand existing stores as opportunities arise.

The Company expects to open new superstores in existing markets and new markets. In determining where to open new superstores, the Company evaluates a number of factors, including the availability of prime real estate and demographic information (such as data relating to income and education levels, age and occupation). The Company believes that because it does not use central distribution centers and since it relies on paid advertising to only a limited extent, it has the flexibility to enter a new market with only a single store.

From the end of fiscal 1996 through May 9, 1997, the Company has opened six stores which are located in: Naperville, Illinois; Northville, Michigan; Buffalo, New York; Charlotte, North Carolina; San Antonio, Texas; and Madison, Wisconsin. During the balance of 1997, the Company currently anticipates that it will open approximately 24 additional stores. The Company has already leased sites for 22 additional stores to be located in: Birmingham, Alabama; Mesa, Arizona; Oceanside and Thousand Oaks, California; Golden, Colorado; Jacksonville, Florida; Augusta, Georgia; Braintree, Massachusetts; Ballwin, Kansas City and St. Peters, Missouri; East Hanover and Woodbridge, New Jersey; New York City (Queens), New York; Tigard, Oregon; Pittsburgh (2) and Wynnewood, Pennsylvania; Grapevine, Humble and San Antonio, Texas; and Richmond, Virginia; and is in lease negotiations for several additional sites.

The Company has built its management structure with a view towards its expansion and believes that as a result the Company has the management depth necessary to support its anticipated expansion program. Each of the Company's area managers typically supervise from three to five stores. Each of the Company's district managers typically supervise four to eight stores, even though the Company believes that each district manager has the capacity to supervise up to ten stores.

STORE OPERATIONS

MERCHANDISING

The Company maintains its own central buying staff, comprised of two general merchandise managers and 11 senior buyers. The merchandise mix for each store is selected by the central buying staff, in consultation with store managers and other local store personnel. The factors taken into account in selecting the merchandise mix for a particular store include store size and configuration and local market conditions such as climate and demographics.

The central buying staff is responsible for ordering the initial inventory required upon the opening of each store and for ordering the first shipment of any new product line that may subsequently be added to a store's merchandise mix. Local store personnel are thereafter primarily responsible for monitoring inventory levels and re-ordering merchandise as required. In addition, local store personnel are encouraged to monitor local sales trends and market conditions and tailor the merchandise mix as appropriate to respond to changing trends and conditions. The Company believes that its policy of having reordering performed at the local store level, rather than centrally, and having local store personnel determine the appropriate quantity to reorder encourages entrepreneurship at the store level and better ensures that in-stock availability will be maintained in accordance with the specific requirements of each store.

The Company's central buying staff also services two smaller stores operated by a third party under a franchise arrangement.

The Company purchases its merchandise from approximately 2,200 suppliers. In 1996, the Company's largest supplier accounted for approximately 7% of the Company's merchandise purchases and the Company's 10 largest suppliers accounted for approximately 25% of such purchases. The Company purchases substantially all of its merchandise in the United States, the majority from domestic manufacturers and the balance from importers. On a limited basis, the Company makes direct purchases from overseas sources. The Company has no long-term contracts for the purchase of merchandise. The Company believes that most merchandise, other than brand name goods, is available from a variety of sources and that most brand name goods can be replaced with comparable merchandise.

WAREHOUSING

Merchandise is shipped to each store from the Company's vendors, making it unnecessary for the Company to maintain any central distribution centers. As a result of the floor to ceiling displays used by the Company, a substantial amount of merchandise is displayed on the sales floor of each store at all times. Additional merchandise not displayed on the sales floor is stored in separate warehouse space that is included in each store (with an estimated 10% to 15% of the space of each store being dedicated to warehouse and receiving space). In the case of several stores, merchandise is also stored at nearby supplemental storage space leased by the Company. At present, the warehouse space included in the Company's stores provides approximately 85% of the Company's warehouse space requirements and such nearby supplemental storage space provides the balance.

MANAGEMENT

The Company seeks to encourage responsiveness and entrepreneurship at the store level by providing its managers with a relatively high degree of autonomy relating to operations and merchandising. This is reflected in the Company's policy of having all reordering done at the store level, as well as in the Company's policy of encouraging managers to tailor the merchandise mix of each store in response to local sales trends and market conditions.

In general, stores are staffed with one to three assistant managers and three to six department managers who report to a store manager, who in turn is supervised by an area or district manager. Area and district managers report to one of several regional managers who in turn report to one of two directors of store operations. Decisions relating to pricing, advertising and markdowns for all stores are made centrally in the Company's Buying Office, and certain store support functions (such as finance and management information systems) are performed centrally in the Company's Corporate Office.

TRAINING

The Company places great emphasis on the training of store level management. All entry management personnel are generally required to work in different departments of the store in order to acquire an overall understanding of store operations. In addition, entry management personnel are trained in a number of areas, including sales techniques, management techniques and product knowledge.

The Company's policy is to build its management organization from within. Each of the Company's area, district and regional managers was recruited from the ranks of the Company's store managers and each of the Company's store managers joined the Company in an entry level position. The Company believes that its policy of promoting from within, as well as the opportunities for advancement generated by its ongoing expansion program, serve as an incentive to persons to seek and retain employment with the Company and results in low turnover among its managers.

EMPLOYEES

As of March 1, 1997, the Company employed approximately 7,000 persons, of whom approximately 4,500 were full-time employees and 2,500 were part-time employees. None of the Company's employees are covered by collective bargaining agreements. The Company believes that its relations with its employees are excellent and that the labor turnover rate among its management employees is lower than that experienced in the industry.

SEASONALITY

The Company's business exhibits less seasonality than many other retail businesses, although sales levels are generally higher in August, November and December, and generally lower in February and March.

COMPETITION

The market for domestics merchandise and home furnishings is fragmented and highly competitive. While the Company believes it is the preeminent marketer in the superstore segment of the home goods industry, it competes directly with a number of chains of superstores selling domestics merchandise and home furnishings. In addition, the Company competes with many different types of retail stores that sell many or most of the products sold by the Company. Such competitors include: (i) better department stores, which often carry many of the same product lines as the Company but do not typically have the same depth or breadth of product selection, (ii) specialty stores (such as specialty linens or housewares retailers), which often have a depth of product selection but typically carry only a limited portion of the product lines carried by the Company, and (iii) discount and mass merchandise stores. In addition, the Company competes to a more limited extent with factory outlet stores that typically offer limited quantities or limited lines of better quality merchandise at discount prices. Some of the Company's competitors operate substantially more stores and have substantially greater financial and other resources than the Company, including, in a few cases, better name recognition.

The Company believes that it is the largest operator of superstores selling predominantly better quality domestics merchandise and home furnishings typically found in better department stores, and that it is well positioned to compete successfully in its markets as measured by several factors, including pricing, breadth and quality of product selection, in-stock availability of merchandise, effective merchandise presentation, customer service and store locations.

The visibility of the Company has encouraged superstore competitors to imitate the Company's format and methods. Other retail chains continue to introduce new store concepts which include many of the product lines carried by the Company. There can be no assurance that the operation of competitors, including those companies operating stores similar to those of Bed Bath & Beyond, will not have a material effect on the Company.

TRADE NAMES AND SERVICE MARKS

The Company uses the "Bed Bath & Beyond" name as a trade name and as a service mark in connection with retail services. The Company has registered the "Bed Bath & Beyond" name and logo as service marks with the United States Patent and Trademark Office. Management believes that the name is an important element of the Company's merchandising strategy. The Company currently operates several stores under other names. The Company has entered into agreements pursuant to which it believes it will be able to operate anywhere in the United States under the Bed Bath & Beyond name.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth the name, age and business experience of the executive officers of the Registrant:

NAME	AGE	POSITIONS
Warren Eisenberg	66	Chairman, Co-Chief Executive Officer and Director
Leonard Feinstein	60	President, Co-Chief Executive Officer and Director
Steven H. Temares	38	Executive Vice President - Chief Operating Officer
Ronald Curwin	67	Chief Financial Officer and Treasurer

Mr. Eisenberg, a co-founder of the Company, has been a director and officer of the Company since the Company commenced operations in 1971 (serving as President and Co-Chief Executive Officer until April 9, 1992, and Chairman and Co-Chief Executive Officer since that date).

Mr. Feinstein, a co-founder of the Company, has been a director and officer of the Company since the Company commenced operations in 1971 (serving as Co-Chief Executive Officer, Treasurer and Secretary until April 9, 1992, and as President and Co-Chief Executive Officer since that date).

Mr. Temares was promoted to Executive Vice President - Chief Operating Officer of the Company in January 1997. He joined the Company in June 1992 serving as Director of Real Estate and General Counsel. Prior to June 1992, Mr. Temares engaged in the private practice of law.

Mr. Curwin, a certified public accountant, joined the Company in September 1994 as Chief Financial Officer and Treasurer. Prior to joining the Company, Mr. Curwin was engaged as a registered representative in the financial services industry. Prior to 1992, Mr. Curwin was Chief Financial Officer of Channel Home Centers, Inc., a retailer of home improvement products.

The Company's officers are elected by the Board of Directors for one-year terms and serve at the discretion of the Board of Directors. No family relationships exist between any of the executive officers or directors of the Company.

ITEM 2 - PROPERTIES

The Company's 114 stores are located in 26 states, principally in suburban areas of medium and large sized cities. These stores are situated in strip and power strip shopping centers, as well as in major off-price and conventional malls, and free standing buildings. The Company's superstores range in size from 13,000 to 85,000 square feet, but are predominantly between 30,000 and 50,000 square feet in major markets. The Company's four smaller stores range in size from 7,000 to 11,000 square feet. In both superstores and smaller stores, approximately 80% to 85% of store space is used for selling areas and the balance for warehouse, receiving and office space.

The table below sets forth the number of stores located in each state as of May 9, 1997:

State	Number of Stores	State	Number of Stores
Alabama	1	Missouri	1
Arizona	2	New Jersey	7
California	14	New Mexico	1
Colorado	2	New York	11
Connecticut	3	North Carolina	2
Florida	11	Ohio	4
Georgia	5	Oklahoma	1
Illinois	8	Pennsylvania	2
Indiana	2	Tennessee	2
Kansas	1	Texas	13
Maryland	4	Virginia	7
Massachusetts	4	Washington	1
Michigan	4	Wisconsin	1

The Company currently leases all of its existing stores. The leases provide for original lease terms that generally range from five to fifteen years and certain leases provide for renewal options, that range from five to fifteen years, often at increased rents. Certain leases provide for scheduled rent increases (which, in the case of fixed increases, the Company accounts for on a straight line basis over the noncancelable lease term) and/or for contingent rent (based upon store sales exceeding stipulated amounts).

The Company also leases merchandise storage space in five locations amounting to approximately 96,000 square feet. This space is used to supplement the warehouse facilities in the Company's stores in proximity to these locations. See Item 1 "Business--Store Operations--Warehousing."

The Company's Corporate Office is located in 63,500 square feet of office space that the Company leases in Union, New Jersey. The Company's Buying Office is located in 26,400 square feet of office space that the Company leases in Farmingdale, New York.

ITEM 3 - LEGAL PROCEEDINGS

There are no material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the Company is a party.

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

There were no matters submitted to a vote of security holders through solicitation of proxies or otherwise during the fourth quarter of the fiscal year ended March 1, 1997.

PART II

ITEM 5 - MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

The following table sets forth the high and low reported sales prices of the Company's common stock on the NASDAQ National Market System for the periods indicated. These quotations reflect inter-dealer prices, without retail markups, markdowns or commissions.

	HIGH	LOW
Fiscal 1995:		
1st Quarter	$ 13 1/4	$ 9
2nd Quarter	16 1/2	10 5/16
3rd Quarter	18 7/16	12 1/2
4th Quarter	22 7/16	15
Fiscal 1996:		
1st Quarter	$ 31 1/2	$ 19 11/16
2nd Quarter	31	18 1/4
3rd Quarter	29 3/4	20 3/8
4th Quarter	31 3/4	24 1/8
Fiscal 1997:		
1st Quarter (through May 9, 1997)	29 1/4	22 7/8

The common stock is quoted through the NASDAQ National Market System under the symbol "BBBY". On May 9, 1997, there were approximately 500 shareholders of record of the common stock (without including individual participants in nominee security position listings). On May 9, 1997, the last reported sale price of the common stock was $27 1/8.

For the foreseeable future, the Company intends to retain all earnings for use in the operation and expansion of its business and, accordingly, the Company currently has no plans to pay dividends on its common stock. The payment of any future dividends will be determined by the Board of Directors in light of conditions then existing, including the Company's earnings, financial condition and requirements, restrictions in financing agreements, business conditions and other factors. At present, the Company's ability to pay dividends is limited under its Credit Agreement. See Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Bed Bath & Beyond Inc. was treated as an S corporation for Federal and certain state income tax purposes during the period September 1, 1986 through June 9, 1992. As a result, earnings of Bed Bath & Beyond Inc. during such period were taxed for Federal and certain state income tax purposes directly to its shareholders rather than to the Company. In the years preceding the Company's initial public offering (the "IPO"), the Company paid annual distributions to its shareholders to provide them with funds to pay income taxes on such earnings and as a return on their investment. In addition, prior to completion of the IPO, the Company declared the following distributions payable to the persons and entities that were shareholders of the Company immediately preceding the IPO (such persons and entities being Warren Eisenberg, Leonard Feinstein and certain members of their respective families and certain affiliated trusts): (i) a $28.0 million distribution, representing a portion of the previously earned and undistributed S corporation earnings of the Company through March 1, 1992, which was paid upon completion of the IPO from the net proceeds to the Company from the IPO, and (ii) a distribution in an amount equal to the taxes payable on the earnings of the Company during the period from March 2, 1992 to completion of the IPO, which distribution amounted to $1,517,000 and was paid from such earnings to such shareholders in September 1992. Subsequent to the IPO, the Company has not been treated as an S corporation and, accordingly, is subject to Federal and state income taxes.

ITEM 6 - SELECTED FINANCIAL DATA

The information required by this item is included in the registrant's Annual Report to Shareholders for the year ended March 1, 1997 on page 1 and is incorporated herein by reference.

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

The information required by this item is included in the registrant's Annual Report to Shareholders for the year ended March 1, 1997 on pages 10 through 13 and is incorporated herein by reference.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements required by this item are included in the registrant's Annual Report to Shareholders for the year ended March 1, 1997 on pages 14 through 24 and are incorporated herein by reference. These financial statements are indexed under Item 14(a)(1).

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

None

PART III

The information required by this Part III (Items 10, 11, 12 and 13) is incorporated herein by reference from the Registrant's definitive Proxy Statement for the Annual Meeting of Shareholders to be held June 26, 1997 filed with the Commission pursuant to Regulation 14A. The Compensation Report of the Board of Directors and the performance graph included in such Proxy Statement shall not be deemed incorporated herein by reference.

PART IV

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

(a) (1) FINANCIAL STATEMENTS

The following financial statements and reports are incorporated by reference to pages 14 through 24 of the Company's Annual Report to Shareholders for the fiscal year ended March 1, 1997:

Consolidated Balance Sheets as of March 1, 1997 and February 25, 1996

Consolidated Statements of Earnings for the fiscal years ended March 1, 1997, February 25, 1996 and February 26, 1995

Consolidated Statements of Changes in Shareholders' Equity for the fiscal years ended March 1, 1997, February 25, 1996 and February 26, 1995

Consolidated Statements of Cash Flows for the fiscal years ended March 1, 1997, February 25, 1996 and February 26, 1995

Notes to Consolidated Financial Statements

Independent Auditors' Report

(a) (2) FINANCIAL STATEMENT SCHEDULES

All schedules are omitted because they are not required, not applicable or the information is included in the financial statements or notes thereto.

(a) (3) EXHIBITS

The exhibits to this Report are listed in the Exhibit Index included elsewhere herein.

(b) No reports on Form 8-K were filed by the Company during the fourth quarter of the fiscal year covered by this report.

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.

BED BATH & BEYOND INC.

BY: /s/ WARREN EISENBERG

WARREN EISENBERG
CHAIRMAN, CO-CHIEF EXECUTIVE
OFFICER AND DIRECTOR

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

SIGNATURE	CAPACITY	DATE
/s/ WARREN EISENBERG WARREN EISENBERG	Chairman, Co-Chief Executive Officer and Director (principal executive officer)	May 28, 1997
/s/ LEONARD FEINSTEIN LEONARD FEINSTEIN	President, Co-Chief Executive Officer and Director	May 28, 1997
/s/ RONALD CURWIN RONALD CURWIN	Chief Financial Officer and Treasurer (principal financial and accounting officer)	May 28, 1997
/s/ KLAUS EPPLER KLAUS EPPLER	Director	May 28, 1997
/s/ ROBERT S. KAPLAN ROBERT S. KAPLAN	Director	May 28, 1997
/s/ ROBERT J. SWARTZ ROBERT J. SWARTZ	Director	May 28, 1997

EXHIBIT INDEX

Unless otherwise indicated, exhibits are incorporated by reference to the correspondingly numbered exhibits to the Company's Registration Statement on Form S-1 (Commission File No. 33-47250)

EXHIBIT NO.	EXHIBIT	PAGE
3.1	Restated Certificate of Incorporation	--
3.2	Certificate of Amendment to the Company's Certificate of Incorporation (incorporated by reference to Exhibit 3 to the Company's Quarterly Report on Form 10-Q/A for the quarter ended August 25, 1996)	--
3.3	Amended and Restated By-laws	--
10.1	Credit Agreement among the company, bed 'n bath Stores, Inc., BBBL, Inc., BBBY Management Corporation, Chemical Bank New Jersey, N.A., Chemical Bank and Chemical Bank New Jersey, N.A. as Agent (incorporated by reference to Exhibit 28 to the Company's Form 8-K dated November 14, 1994)	--
10.2*	Employment Agreement between the Company and Warren Eisenberg, as amended (incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-1 Commission File No. 33-47250 and Exhibit 99.1 to the Company's Registration Statement on Form S-3 Commission File No. 33-66860)	--
10.3*	Employment Agreement between the Company and Leonard Feinstein, as amended (incorporated by reference to Exhibit 10.4 to the Company's Registration Statement on Form S-1 Commission File No. 33-47250 and Exhibit 99.2 to the Company's Registration Statement on Form S-3 Commission File No. 33-66860)	--
10.4*	Company's 1992 Stock Option Plan, as amended (incorporated by reference to Exhibit 28 to the Company's Form S-8 dated October 14, 1994)	
10.5*	Agreement Concerning "Split Dollar" Life Insurance Plan, dated May 9, 1994, among the Company, Jay D. Waxenberg, as trustee of the Warren Eisenberg Life Insurance Trust, Warren Eisenberg and Maxine Eisenberg (incorporated by reference to Exhibit 10.12 to the Company's Form 10-K for the year ended February 27, 1994)	--
10.6*	Agreement Concerning "Split Dollar" Life Insurance Plan, dated May 9, 1994, among the Company, Jay D. Waxenberg, as trustee of the Leonard Joseph Feinstein Life Insurance Trust, Leonard Joseph Feinstein and Susan Feinstein (incorporated by reference to Exhibit 10.13 to the Company's Form 10-K for the year ended February 27, 1994)	--
10.7*	Agreement Concerning "Split Dollar" Life Insurance Plan, dated June 16, 1995, among the Company, Jay D. Waxenberg, as trustee of the Warren Eisenberg Life Insurance Trust, Warren Eisenberg and Maxine Eisenberg	--
10.8*	Agreement Concerning "Split Dollar" Life Insurance Plan, dated June 16, 1995, among the Company, Jay D. Waxenberg, as trustee of the Leonard Joseph Feinstein Life Insurance Trust, Leonard Joseph Feinstein and Susan Feinstein	

EXHIBIT NO.	EXHIBIT	Page
10.9	First Amendment to the Credit Agreement among the Company, bed 'n bath Stores, Inc., BBBL, Inc., BBBY Management Corporation, Chemical Bank New Jersey, N.A., Chemical Bank and Chemical Bank New Jersey, N.A. as Agent, dated October 1, 1995	--
10.10	Company's 1996 Stock Option Plan (incorporated by reference to the Company's Form S-8 dated December 16, 1996, Commission File No. 333-18011)	--
10.11**	Second Amendment to the Credit Agreement among the Company, bed 'n bath Stores, Inc., BBBL, Inc., BBBY Management Corporation, Chemical Bank New Jersey, N.A., Chemical Bank and Chemical Bank New Jersey, N.A. as Agent, dated February 24, 1997	
11**	Computation of per share earnings	
13**	Company's 1996 Annual Report, certain portions of which have been incorporated by reference herein	
21**	Subsidiaries of the Company Commission File No. 33-1	
23**	Independent Auditors' Consent	
27	Financial Data Schedule (Filed electronically with SEC only.)	

*   This is a management contract or compensatory plan or arrangement.
**   Filed herewith.

Exhibit 10.11

SECOND AMENDMENT (the "Second Amendment"), dated as of February 24, 1997, of a certain Credit Agreement dated as of October 26, 1994 (the "Agreement"), as amended by a First Amendment dated October 1, 1995, among BED BATH & BEYOND, INC. (the "Company"), BED-N-BATH STORES, INC. ("BNBS"), BBBL, INC. ("BBBL") AND BBBY MANAGEMENT CORPORATION ("BBBY"; BNBS, BBBL AND BBBY being together the "Guarantors" and individually each a "Guarantor", and the Guarantors together with the Company being the "Credit Parties") and CHEMICAL BANK NEW JERSEY, NATIONAL ASSOCIATION ("Chemical NJ") and CHEMICAL BANK ("Chemical NY"; Chemical NJ and Chemical NY are together referred to as the "Banks" and individually as a "Bank") and Chemical NJ, as agent for the Banks (in such capacity, the "Agent").

WITNESSETH:

WHEREAS, the Credit Parties, the Banks and the Agent are parties to the Agreement; and

WHEREAS, Chemical NJ has assigned all of its right, title and interest in, to and under the Agreement, and all of its obligations and liabilities thereunder, as a Bank to Chemical NY and Chemical NY has accepted such assignment and has assumed all of the obligations and liabilities of Chemical NJ as a Bank thereunder; and

WHEREAS, the Agent has assigned all of its responsibilities as Agent under the Agreement to Chemical NY and Chemical NY has accepted such assignment; and

WHEREAS, Chemical NY has changed its name to "The Chase Manhattan Bank" ("Chase"); and

WHEREAS, the Credit Parties have requested certain modifications to the Agreement, and Chase is agreeable to such request;

NOW, THEREFORE, in consideration of the premises and mutual agreements herein contained, the parties hereto hereby agree as follows:

1. Definitions. Except as otherwise stated, capitalized terms defined in the Agreement and used herein without definition shall have the respective meanings assigned to them in the Agreement.

2. Amendments of the Agreement.

(a) All references in the Agreement to Chemical NJ, Chemical NY, the Banks, any Bank and the Agent shall be amended to refer to "Chase".

(b) Subsection 9.16 of the Agreement is hereby amended by deleting "Sunday" therefrom and by inserting "Saturday" in its place and stead.

(c) Subsection 9.10 of the Agreement is hereby amended by deleting "February 23, 1997" therefrom and by inserting "March 1, 1997" in its place and stead.

(d) Subsection 1.1 of the Agreement is hereby amended by deleting the definitions of "L/C Commitment", "Chemical NY Rate" and "Chemical NY Rate Loans" and substituting the following:

" 'Chase' shall mean The Chase Manhattan Bank, a New York banking corporation, which was formerly known as Chemical Bank.

" 'Chase Rate': the rate of interest publicly announced by Chase from time to time in New York, New York as its prime rate."

" 'Chase Rate Loans': Loans, the rate of interest applicable to which, is based upon the Chase rate."

" 'L/C Commitment': $15,000,000"

(e) Section 9.4 (c) is hereby amended in its entirety so that such Section, as so amended, shall read as follows: "(c) Indebtedness of the Credit Parties and any of their respective Subsidiaries in an aggregate principal amount not exceeding $2,000,000 at any time outstanding;"

(f) Section 14.2 of the Agreement is hereby amended by deleting the notice provision for the Banks and the Agent and substituting the following:

"Chase: The Chase Manhattan Bank
4 Campus Drive
Parsippany, New Jersey 07054
Attention: Valerie Schanzer, V.P.
Telecopy: (201) 734-1123

3. Representations and Warranties. To induce Chase to enter into this Second Amendment, each of the Credit Parties hereby represents and warrants that:

(a) Such Credit Party has the power, authority and legal right to make and deliver this Second Amendment and to perform its obligations under the Agreement, as amended by this Second Amendment, without any notice, consent, approval or authorization not already obtained, and such Credit Party has taken all necessary action to authorize the same.

(b) The making and delivery of this Second Amendment and the performance of the Agreement, as amended by this Second Amendment, do not violate any provision of law or any regulation or of the charter or by-laws of such Credit Party or result in the breach of or constitute a default under or require any consent under any indenture or other agreement or instrument to which such Credit Party is a party or by which such Credit Party or any of its property may be bound or affected. The Agreement, as amended by this Second Amendment, constitute a legal, valid and binding obligation of such Credit Party, enforceable against it in accordance with its terms, except as the enforceability thereof may be limited by any applicable bankruptcy, reorganization, insolvency, moratorium or other laws affecting creditors' rights generally.

(c) The representations and warranties contained in Section 6 of the Agreement are true and correct on and as of the date of this Second Amendment and after giving effect thereto.

(d) No Default or Event of Default has occurred and is continuing under the Agreement as of the date of this Second Amendment and after giving effect thereto.

4. Effective Date. This Second Amendment shall become effective as of February 24, 1997 when Chase shall have received counterparts of this Second Amendment, duly executed by the respective parties thereto.

5. Counterparts. This Second Amendment may be signed in any number of counterparts, each of which shall be an original and all of which taken together shall constitute a single instrument with the same effect as if the signatures thereto and hereto were upon the same instrument.

6. Full Force and Effect. Except as expressly modified by this Second Amendment, all of the terms and provisions of the Agreement shall continue in full force and effect, and all parties hereto shall be entitled to the benefits thereof.

7. Governing Law. This Second Amendment shall be governed by and construed in accordance with the internal laws (and not the law of conflicts) of the State of New Jersey.

IN WITNESS WHEREOF, the parties hereto have caused this Second Amendment to be duly executed and delivered by their proper and duly authorized officers as of the date set forth above.

BED BATH & BEYOND, INC.

By: /s/ Warren Eisenberg

Title: Co-Chief Executive Officer

BED-N-BATH STORES, INC.

By: /s/ Warren Eisenberg

Title: President

BBBL, INC.

By: /s/ Arthur Stark

Title: President

BBBY MANAGEMENT CORPORATION

By: /s/ Warren Eisenberg

Title: President

THE CHASE MANHATTAN BANK

By: /s/ Valerie Schanzer

Title: Vice-President

Exhibit 11

BED BATH & BEYOND INC. AND SUBSIDIARIES
COMPUTATION OF PER SHARE EARNINGS

	FISCAL YEAR ENDED	
	MARCH 1, 1997	FEBRUARY 25, 1996
Weighted average number of shares outstanding	68,408,706	67,879,779
Dilutive effect of common equivalent shares (stock options) outstanding	2,146,538	1,532,391
Weighted average number of shares and dilutive common equivalent shares (stock options) outstanding	70,555,244	69,412,170
Net earnings	$55,015,000	$39,459,000
Net earnings per share	$ .78	$ .57

Exhibit 13

1996

25th Anniversary

BED BATH & BEYOND

ANNUAL REPORT

Beyond any store of its kind.(R)

Founded in 1971, Bed Bath & Beyond Inc. is a nationwide chain of "superstores" selling predominantly better quality domestics merchandise and home furnishings. The Company's 114 stores principally range from 30,000 to 50,000 square feet, with some stores exceeding 80,000 square feet. They combine superior service and a huge selection of items at everyday low prices within a constantly evolving shopping environment that has proven to be both fun and exciting for customers. Bed Bath & Beyond Inc.'s shares are traded on the NASDAQ National Market System under the symbol "BBBY".

Store Locations

1	Alabama	7	New Jersey
2	Arizona	1	New Mexico
14	California	11	New York
2	Colorado	2	North Carolina
3	Connecticut	4	Ohio
11	Florida	1	Oklahoma
5	Georgia	2	Pennsylvania
8	Illinois	2	Tennessee
2	Indiana	13	Texas
1	Kansas	7	Virginia
4	Maryland	1	Washington
4	Massachusetts	1	Wisconsin
4	Michigan		
1	Missouri	114	Total

Contents

SELECTED FINANCIAL DATA

(in thousands, except per share and selected operating data)	FISCAL YEAR ENDED(1) MARCH 1, 1997	FEBRUARY 25, 1996	FEBRUARY 26, 1995	FEBRUARY 27, 1994	FEBRUARY 28, 1993
INCOME STATEMENT DATA:					
Net sales	$ 823,178	$ 601,252	$ 440,261	$ 305,767	$ 216,712
Gross profit	341,168	250,036	183,819	127,972	90,528
Operating profit	90,607	67,585	51,685	36,906	26,660
Net earnings(2)	55,015	39,459	30,013	21,887	15,960
Net earnings per share(2)(3)	$ .78	$ .57	$ .43	$ .32	$ .24
SELECTED OPERATING DATA:					
Number of stores open (at period end)	108	80	61	45	38
Total square feet of store space (at period end)	4,347,000	3,214,000	2,339,000	1,512,000	1,128,000
Net sales per average square foot of total store space	$ 218	$ 217	$ 229	$ 232	$ 212
Percentage increase in comparable store net sales	6.1%	3.8%	12.0%	10.6%	7.2%
BALANCE SHEET DATA (AT PERIOD END):					
Working capital	$ 121,679	$ 87,727	$ 71,902	$ 54,432	$ 34,501
Total assets	329,925	235,810	176,678	121,468	76,654
Long-term debt	--	5,000	16,800	13,300	--
Shareholders' equity	$ 214,361	$ 151,446	$ 108,939	$ 77,305	$ 54,643

(1) Each fiscal year is 52 weeks, except for March 1, 1997 which represents 52 weeks and 6 days.

(2) Bed Bath & Beyond Inc. was an S corporation for Federal and certain state income tax purposes until June 9, 1992. Provision for income taxes and net earnings in fiscal 1992 reflect a provision for pro forma income taxes as if the Company and its subsidiaries had been liable for Federal, state and local income taxes as taxable corporate entities.

(3) Net earnings per share amounts have been adjusted for two-for-one stock splits of the Company's common stock (each of which was effected in the form of a 100% stock dividend), which were distributed on June 21, 1993 and April 30, 1996.

	NET SALES ($ in millions)	NET EARNINGS PER SHARE (in dollars)	NET EARNINGS ($ in millions)
92	216.7	0.24	16
93	305.8	0.32	21.9
94	440.3	0.43	30
95	601.3	0.57	39.5
96	823.2	0.78	55

TO OUR FELLOW SHAREHOLDERS:

Bed Bath & Beyond's Silver Anniversary Year was memorable in many ways. In addition to recording the strongest financial results in our 25 year history, our Company also achieved several significant milestones.

Among these were:

- the debut of our 100th unit (located in Irvine, California), one of twenty-eight new superstores opening during fiscal 1996;
- the second two-for-one stock split since "going public" in 1992;
- the addition of our stock to both the Standard & Poor's Mid-Cap 400 and Nasdaq-100 indices;
- the appointment of Steven H. Temares to the newly-established position of Executive Vice President-Chief Operating Officer; and
- the elimination of the balance of our long-term debt.

TOTAL ASSETS
($ in millions)

92	76.7
93	121.5
94	176.7
95	235.8
96	329.9

[CAPTION]
OUR COMPANY
HAS NEVER
ENJOYED A
STRONGER FINANCIAL
POSITION.

OUR FIRST QUARTER CENTURY - A RETROSPECTIVE:

Bed Bath & Beyond began operations in 1971 with the opening of two small "bed n bath" stores, one in New York and one in New Jersey. In the intervening two and one-half decades, our Company has evolved into the preeminent nationwide chain of domestics merchandise and home furnishings "superstores". Significant milestones occurred in 1985, when our superstore format was introduced, and in 1987, when the "Bed Bath & Beyond" name, which recognized our expanded merchandising offerings, was adopted.

Since our modest beginning on the East Coast, we have now grown to a chain of 114 stores in 26 states. In every market we have entered over the years, consumer acceptance of our stores has been outstanding.

[PHOTO OF LEONARD FEINSTEIN AND WARREN EISENBERG, CO-CHIEF EXECUTIVE OFFICERS]

From inception, we've believed very strongly in running a highly decentralized company. This is one of our major strengths, one which differentiates us from most other retailers. It has taken 25 years of developing the people who have made possible our continued growth in a decentralized manner, a distinct advantage that we enjoy. While a decentralized company can become centralized, it is nearly impossible for a centralized company to become decentralized. We operate in an environment in which all of our store managers, area managers, district managers and regional directors, regardless of any prior experience in retailing, begin their careers as associates or department managers, and are trained to be Bed Bath & Beyond entrepreneurs and merchants. Upon promotion to store manager, they are empowered to make merchandising and operational decisions not customary in a centralized operation. The importance of this distinction, and the philosophy upon which it is based, cannot be overemphasized. Some might say that this is a difficult and expensive way to operate, and we agree, but we also say it's well worth it! It is our operating philosophy, or culture, if you will, that sets us apart from others in our industry. It's what gives us the significant advantage we enjoy over our competition, who simply cannot copy what we do and achieve the results we do. Our stores, our "bottom line" and our balance sheet have proven, time and time again, that this is so.

[CAPTION]
OUR ABILITY TO IDENTIFY AND CREATE GOOD MARKUP
ITEMS AND "MERCHANDISE
THE MIX"
HAS BEEN A
STRONG KEY TO OUR SUCCESS.

Our Company has accomplished much over the past 25 years, but we are most proud of the outstanding management team, second to none in our industry, that has been assembled since 1971. On a day to day basis our Company is run by our new Executive Vice President-Chief Operating Officer, Steven Temares, age 38, and five other key managers who have been with the Company an average of 15 years, and whose average age is 40. Having worked themselves, during their successful careers at Bed Bath & Beyond, in practically every store operations or merchandising position, they continue to spend time each week in our stores, working with their fellow employees, and greeting and assisting customers. Exceptionally bright and hardworking, our key managers operate as an incredibly effective team in directing the activities of the approximately 7,000 associates who work in our stores and offices.

SHAREHOLDERS' EQUITY
($ in millions)

92	54.6
93	77.3
94	108.9
95	151.4
96	214.4

[CAPTION]
OUR UNIQUE CORPORATE CULTURE IS FOCUSED ON "THE BOTTOM LINE" AND ON BUILDING SHAREHOLDER VALUE.

Also, from the very beginning, our Company has operated on the premise that the customer is the most important person in our business. The closer our associates are to the customer, the more important that associate, and the associate's ideas, are to Bed Bath & Beyond. Many creative ideas over the years have come from store personnel, who conceived of many of these ideas through their day to day contacts with customers.

Another guiding principle of our Company has been change. Only through constant innovation and evolution have we been able to remain the industry leader and continue to widen our lead. New customer service initiatives, new merchandise items, new departments, new fixturing, combined with the aforementioned new ideas, are truly our lifeblood. We have created, and will continue to foster, a unique environment in which each individual is encouraged to think of how to "do it better", and is rewarded by seeing his or her new idea rolled out company-wide.

"Merchandising the mix" has been another key to our success. We have proven over and over again our ability to not only identify and create good markup items, but to drive the volume on such items. The result is not simply higher sales volume, but higher gross margins as well. In our decentralized environment, our personnel know very well that it is not just buying and pricing the item that controls gross profit, but that by selling a better mix, and driving the volume on higher margin merchandise, superior results are attained.

From inception in 1971, our stores have consistently featured top national brands, literally the best in the industry. As an important element in our merchandising philosophy, they reinforce our quality value pricing image to the customer. We seek to avoid carrying merchandise where the vendor establishes the retail selling price. This also distinguishes us from other retailers who, in order to secure such products, may ask "department store prices" for them. Thus, while we provide Bed Bath & Beyond shoppers with value-priced, nationally-branded merchandise, through "merchandising the mix", we achieve healthy gross margins.

In the twenty-five years we have been in business, we have always believed that there are no shortcuts. We realize that you must invest the time, the energy, the effort, and often the emotion, in order to produce outstanding results. We have also found it essential to invest heavily in the infrastructure necessary to support a much larger chain of retail stores. We continue to allocate significant resources to the recruitment and training of personnel and to the accelerated development of logistical support and computerized systems.

Successful retail businesses cannot be built, and mediocre businesses cannot be transformed, literally overnight. Indeed, even a successful retailer must constantly modify, innovate and improve every aspect of its business, if it is to continue to achieve exceptional results. That is why we will strive, in our next twenty-five years, to adhere to the business principles which have served our Company so well during the past quarter century.

FINANCIAL REVIEW OF 1996:

Net sales for the fiscal year (fifty-two weeks, six days) ended March 1, 1997 were $823.2 million, compared with fiscal 1995 (fifty-two weeks) net sales of $601.3 million, an increase of 36.9%. Comparable store sales for fiscal 1996 increased by 6.1% from last year.

Net earnings increased 39.4% to $55.0 million, or $.78 per share, from $39.5 million, or $.57 per share. Internally-generated cash flow not only completely funded our expansion program in 1996, but also enabled Bed Bath & Beyond to achieve a strong, flexible, debt-free balance sheet on March 1, 1997. With working capital at that date of $121.7 million, compared with $87.7 million at the prior fiscal year-end, and a $45.0 million bank credit facility, currently not being used, our Company has never enjoyed a stronger financial position.

[CAPTION]
WE'VE ALWAYS
LIVED WITH
COMPETITORS,
AND HAVE FARED
QUITE WELL AGAINST
THEM.

STORE EXPANSION

	NUMBER OF STORES	TOTAL SQUARE FOOTAGE (IN THOUSANDS)
92	38	1,128
93	45	1,512
94	61	2,339
95	80	3,214
96	108	4,347

EXPANSION PROGRAM:

Our new store expansion program accelerated during the fiscal year with the opening of twenty-eight new superstores and the expansion of two additional stores, bringing to 108 the number of stores operating at year-end. In fiscal 1996, we entered four new states (Missouri, New Mexico, North Carolina, and Tennessee), and increased total store space by approximately 35%, from 3.2 million square feet to 4.3 million square feet. During fiscal 1997, we plan to open approximately 30 additional new superstores, in both new and existing markets, and to enter several states, including Oregon and Wisconsin, for the first time.

The approximately $60 billion domestics and home furnishings industry remains highly fragmented. Most sales of these products are still generated by the department stores and the national chains. With all of our growth, Bed Bath & Beyond enjoys less than a 2% market share. We presently operate in 28 of the 40 largest markets in the United States, and in those 28 markets there are opportunities to open additional stores, and to upgrade existing units. We are also pursuing growth opportunities in the remaining larger markets, as well as in selected smaller markets. These factors, combined with strong demographics, and the desire of many consumers to upgrade their home environments, support the assumptions underlying our long-term strategic goals.

COMPETITIVE ENVIRONMENT:

Bed Bath & Beyond has always faced numerous competitors, including department stores, national chains and other superstore operators, and has fared quite well against them. Since we became a public company in 1992, our attractive financial results have tempted others to try to emulate our success. We are frequently shopped by our competitors, including their top executives. While they may copy our merchandise items, customer services, racetrack layout, displays and fixtures, or even promotional ideas, there is simply no way they can replicate our organization, develop our merchandising and operational strengths, or generally clone our culture. While we know that past performance does not assure future success, we are intent on exploiting the opportunity to widen the gap in operating performance that clearly exists between Bed Bath & Beyond and its competitors.

[CAPTION]
BED BATH & BEYOND
OFFERS AN
UNSURPASSED
BREADTH AND
DEPTH OF
MERCHANDISE AND
OUTSTANDING
CUSTOMER SERVICE.

AS WE LOOK TO THE FUTURE:

Bed Bath & Beyond, now a quarter-century old, is the leader in a young, dynamic, fast-growing segment of the retail industry.

To summarize:

- Our results, based upon well-tested operating and merchandising philosophies, have been consistently strong;

- Our Company has developed a proven, successful concept, which is rapidly being rolled out across the country;

- With only 114 stores in 26 states, expansion opportunities are plentiful;

- We are solidifying our infrastructure to support planned growth;

- Our experienced, entrepreneurial managers and associates truly enjoy the business they've developed and nurtured, and they're doing an outstanding job;

- A strong, unleveraged financial position, provides exceptional resources and flexibility.

And yet, with all of this going for us, and in spite of our performance to date, we are never fully satisfied. We have not come this far, only to relax our collective efforts to constantly reinvent our Company, to make it better tomorrow than it is today. As we move towards the 21st Century, we reaffirm our deep-seated commitment to the Bed Bath & Beyond customer from coast-to-coast, upon whose loyal patronage our continued success ultimately depends.

Sincerely,

/s/ Warren Eisenberg
Warren Eisenberg,
Chairman and Co-Chief
Executive Officer

/s/ Leonard Feinstein
Leonard Feinstein,
President and Co-Chief
Executive Officer

May 9, 1997

RESULTS OF OPERATIONS

The following table sets forth for the periods indicated (i) selected income statement data of the Company expressed as a percentage of net sales and (ii) the percentage change from the prior year in selected income statement data:

	FISCAL YEAR ENDED				
	PERCENTAGE OF NET SALES			PERCENTAGE CHANGE FROM PRIOR YEAR	
	MARCH 1, 1997	FEBRUARY 25, 1996	FEBRUARY 26, 1995	MARCH 1, 1997	FEBRUARY 25, 1996
Net sales	100.0%	100.0%	100.0%	36.9%	36.6%
Cost of sales, including buying, occupancy and indirect costs	58.6	58.4	58.2	37.2	37.0
Gross profit	41.4	41.6	41.8	36.4	36.0
Selling, general and administrative expenses	30.4	30.3	30.0	37.3	38.1
Operating profit	11.0	11.2	11.7	34.1	30.8
Earnings before provision for income taxes	11.1	11.1	11.6	36.5	31.5
Net earnings	6.7	6.6	6.8	39.4	31.5

FISCAL 1996 COMPARED WITH FISCAL 1995

In fiscal 1996, the Company expanded store space by 35.3%, from 3,214,000 square feet at fiscal year-end 1995 to 4,347,000 square feet at fiscal year-end 1996. The 1,133,000 square feet increase was the result of opening twenty-eight new superstores and expanding two existing stores.

Net sales in fiscal 1996 increased $221.9 million to $823.2 million, representing an increase of 36.9% over the $601.3 million net sales of fiscal 1995. Approximately 84% of the increase is attributable to new store net sales and the balance to an increase in comparable store net sales. Net sales per average square foot of store space increased in fiscal 1996 to $218 from $217 in fiscal 1995.

Approximately 55% and 45% of net sales for fiscal 1996 were attributable to sales of domestics merchandise and home furnishings, respectively. The Company estimates that bed linens accounted for approximately 21% of net sales during fiscal 1996 and fiscal 1995. No other individual product category accounted for 10% or more of net sales during either fiscal year.

Gross profit for fiscal 1996 was $341.2 million or 41.4% of net sales compared with $250.0 million or 41.6% of net sales, a year ago. The decrease in gross profit as a percentage of net sales was attributable to a number of factors, including a different mix of sales during fiscal 1996 compared to the mix of sales during the prior year, and an increase in coupons redeemed associated with the circular marketing program.

The percentage increase in comparable store net sales was 6.1% in fiscal 1996 compared with 3.8% in fiscal 1995. The increase in comparable net sales relative to the prior year primarily reflects a number of factors, including but not limited to, the continued consumer acceptance of the Company's merchandise offerings and customer service and the generally favorable retailing environment.

Selling, general and administrative expenses ("SG&A"), were $250.6 million or 30.4% of net sales in fiscal 1996 compared to $182.5 million or 30.3% of net sales in fiscal 1995. The increase in SG&A as a percentage of net sales primarily reflects an increase in occupancy costs, which was partially offset by a decrease in payroll and payroll related items. Expenses associated with new, relocated or expanded stores are charged to earnings as incurred.

The costs associated with the Company's computer systems, including personnel costs, hardware leasing costs and software costs, were approximately $9.8 million in fiscal 1996, $6.9 million in fiscal 1995 and $4.8 million in fiscal 1994, and the Company estimates will be approximately $12.5 million in fiscal 1997.

Operating profit was $90.6 million in fiscal 1996, an increase of $23.0 million or 34.1% from fiscal 1995, reflecting primarily the increase in net sales which was partially offset by increases in cost of sales and SG&A.

The change in the effective tax rate reflects a decrease in the amount provided for state and local taxes due primarily to the composition of states in which the Company currently conducts business.

FISCAL 1995 COMPARED WITH FISCAL 1994

In fiscal 1995, the Company expanded store space by 37.4%, from 2,339,000 square feet at fiscal year-end 1994 to 3,214,000 square feet at fiscal year-end 1995. The 875,000 square feet increase was the result of opening nineteen new superstores and expanding two existing stores.

Net sales in fiscal 1995 increased $161.0 million to $601.3 million, representing an increase of 36.6% over the $440.3 million net sales volume of fiscal 1994. Approximately 91% of the increase is attributable to new store net sales and the balance to an increase in comparable store net sales.

The Company estimates that bed linens accounted for approximately 21% and 20% of net sales during fiscal 1995 and fiscal 1994, respectively. No other individual product category accounted for 10% or more of net sales during either fiscal year.

Gross profit for fiscal 1995 was $250.0 million or 41.6% of net sales compared with $183.8 million or 41.8% of net sales, a year ago. The decrease in gross profit as a percentage of net sales was attributable to a number of factors, including a different mix of sales during fiscal 1995 compared to the mix of sales during the prior year, and an increase in coupons redeemed associated with the circular marketing program.

The percentage increase in comparable store net sales was 3.8% in fiscal 1995 compared with 12.0% in fiscal 1994. The slower rate of growth in comparable store net sales relative to the prior year primarily reflects the general slowdown in the retail sector.

Net sales per average square foot of store space declined to $217 from $229 in fiscal 1994, due principally to the timing of the significant new store space added in fiscal 1995.

SG&A was $182.5 million or 30.3% of net sales in fiscal 1995 compared to $132.1 million or 30.0% of net sales in fiscal 1994. The increase in SG&A as a percentage of net sales primarily reflects an increase in occupancy costs, which was partially offset by a decrease in payroll and payroll related items. Expenses associated with new, relocated or expanded stores are charged to earnings as incurred.

Operating profit was $67.6 million in fiscal 1995, an increase of $15.9 million or 30.8% from fiscal 1994, reflecting primarily the increase in net sales which was partially offset by increases in cost of sales and SG&A.

EXPANSION PROGRAM

The Company is engaged in an ongoing expansion program involving the opening of new stores in both new and existing markets and the expansion or replacement of existing stores with larger stores. In the five-year period from the beginning of fiscal 1992 to the end of fiscal 1996, the chain has grown from 34 stores to 108 stores. Total square footage grew from 917,000 square feet at the beginning of fiscal 1992 to 4,347,000 square feet at the end of fiscal 1996.

A major portion of the increase in the Company's net sales during each of the preceding five years was attributable to new store net sales as distinguished from increases in comparable store net sales, with new store net sales accounting for approximately 84%, 91%, 78%, 75% and 70% of the increase in net sales in fiscal 1996, 1995, 1994, 1993 and 1992, respectively.

The Company intends to continue its expansion program and currently anticipates that in fiscal 1997 it will open approximately 30 new stores (see details under "Liquidity and Capital Resources" below). The Company believes that a predominant portion of any increase in its net sales in fiscal 1997 will continue to be attributable to new store net sales. Accordingly, the continued growth of the Company is dependent, in large part, upon the Company's ability to execute its expansion program successfully, of which there can be no assurance.

LIQUIDITY AND CAPITAL RESOURCES

The Company has been able to finance both its normal operations and its expansion program principally through internally generated funds during the preceding five years. For the foreseeable future, the Company intends to retain all earnings for use in the operation and expansion of its business.

The Company's merchandise inventory has grown from $108.4 million at the end of fiscal 1994 to $148.4 million at the end of fiscal 1995, and to $187.2 million at the end of fiscal 1996. The increase in inventory between the end of fiscal 1995 and fiscal 1996 was attributable to the addition of new store space during the period, which was partially offset by a decrease in inventory levels at existing stores. This decrease in inventory levels at existing stores as of the end of fiscal 1996 primarily reflected the timing of fiscal year-end inventory receipts. The increase in merchandise inventory between the end of fiscal 1994 and fiscal 1995 was primarily attributable to the addition of new store space.

The Company's working capital increased from $71.9 million at the end of fiscal 1994 to $87.7 million at the end of fiscal 1995, and to $121.7 million at the end of fiscal 1996. The increase between the end of fiscal 1995 and the end of fiscal 1996 was primarily reflected in an increase in merchandise inventories and cash and cash equivalents, which was partially offset by increases in accounts payable and accrued expenses and other current liabilities. The increase between the end of fiscal 1994 and the end of fiscal 1995 was primarily reflected in an increase in merchandise inventories, which was partially offset by increases in accounts payable and accrued expenses and other current liabilities.

The Company's expansion program requires the Company to make capital expenditures for furniture and fixtures and leasehold improvements on an ongoing basis. The Company's total capital expenditures were $35.1 million, $24.5 million and $24.5 million during fiscal 1996, 1995 and 1994, respectively.

Under a credit agreement (the "Credit Agreement") concluded in November 1994, and subsequently amended in October 1995 and in February 1997, the Company may borrow up to $45.0 million under a revolving credit commitment for loans and letters of credit. The Credit Agreement matures in October 1998, at which time any revolving credit loans outstanding may be converted to a term loan payable in twelve quarterly installments maturing in October 2001.

The Credit Agreement contains certain covenants which, among other things, place limitations on payment of dividends, capital expenditures and certain expenses. Additionally, there are restrictions on additional borrowings and a requirement that the Company maintain certain financial ratios. The Company does not believe that any of these covenants have materially affected its business or will affect its expansion program as currently planned.

The Company borrowed under the Credit Agreement primarily in order to meet seasonal cash requirements as well as capital expenditures and inventory requirements for new store space opened during the year. During fiscal 1996, the outstanding amount of indebtedness did not exceed $6.0 million and there was no amount of outstanding indebtedness at the end of the fiscal year. The outstanding amounts of indebtedness under the Credit Agreement were $5.0 million and $16.8 million at the end of fiscal 1995 and 1994, respectively. The weighted-average interest rates on such indebtedness were 6.45%, 7.27% and 6.96% at the end of fiscal 1996, 1995 and 1994, respectively.

The Company believes that during fiscal 1997, internally generated funds, supplemented, if necessary, by borrowings under the Credit Agreement, will be sufficient to fund both its normal operations and its expansion program.

As of March 28, 1997, the Company has leased sites for twenty-three new superstores planned for opening in fiscal 1997, including four new stores already opened in Northville, Michigan; Charlotte, North Carolina; San Antonio, Texas; and Madison, Wisconsin (the Company's first store in that state).

Other new stores expected to open in fiscal 1997 will be located in Birmingham, Alabama; Oceanside and Thousand Oaks, California; Golden, Colorado; Augusta, Georgia; Naperville, Illinois; Ballwin, Kansas City and St. Peters, Missouri; East Hanover and Woodbridge, New Jersey; Buffalo and New York City (Queens), New York; Tigard, Oregon (the Company's first store in that state); Pittsburgh (2), Pennsylvania; Grapevine and San Antonio, Texas; and Richmond, Virginia.

Approximate aggregate costs for the twenty-three leased stores are estimated at $45.5 million for merchandise inventories, $14.8 million for furniture and fixtures and leasehold improvements, and $6.0 million for preopening expenses (which will be expensed as incurred). In addition to the foregoing twenty-three locations already leased, the Company expects to open approximately seven additional locations. The costs that the Company is expected to incur in connection with the anticipated opening of other superstores for which sites have not yet been leased, cannot presently be determined.

RECENT ACCOUNTING PRONOUNCEMENT

In February 1997, Statement of Financial Accounting Standards No. 128, "Earnings per Share" (SFAS No. 128), was issued. SFAS No. 128 simplifies the standards for computing earnings per share and makes the United States standards for computing earnings per share more comparable to international standards. SFAS No. 128 requires presentation of "basic" earnings per share (which excludes dilution) and "diluted" earnings per share. The Company does not believe the adoption of SFAS No. 128 in fiscal 1997 will have a material impact on the Company's reported earnings per share. SFAS No. 128 is effective for financial statements issued for periods ending after December 15, 1997 and requires restatement of all prior period earnings per share presented.

FORWARD LOOKING STATEMENTS

This Annual Report and, in particular, Management's Discussion and Analysis of Financial Condition and Results of Operations contain forward looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. The Company's actual results of operations and future financial condition may differ materially from those expressed in any such forward looking statements as a result of many factors that may be beyond the Company's control. Such factors include, without limitation: general economic conditions, changes in the retail environment and consumer spending habits, demographics and other macroeconomic factors that may impact the level of spending for the types of merchandise sold by the Company; unusual weather patterns; competition from existing and potential competitors; pricing pressures; the availability of trained qualified management personnel to support the Company's expansion; and the cost of labor, merchandise and other costs and expenses.

INFLATION AND SEASONALITY

The Company does not believe that its operating results have been materially affected by inflation during the three preceding 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 exhibits less seasonality than many other retail businesses, although sales levels are generally higher in August, November and December, and generally lower in February and March.

CONSOLIDATED BALANCE SHEETS
BED BATH & BEYOND INC. AND SUBSIDIARIES

(in thousands, except share and per share data)	MARCH 1, 1997	FEBRUARY 25, 1996
ASSETS		
Current assets:		
Cash and cash equivalents	$ 38,765	$ 10,267
Merchandise inventories	187,185	148,383
Prepaid expenses and other current assets	1,605	1,630
Total current assets	227,555	160,280
Property and equipment, net (note 2)	88,332	66,635
Other assets (notes 5 and 6)	14,038	8,895
	$329,925	$235,810
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 47,821	$ 39,025
Accrued expenses and other current liabilities (note 3)	47,923	26,947
Income taxes payable	10,132	6,581
Total current liabilities	105,876	72,553
Long-term debt (note 4)	--	5,000
Deferred rent	9,688	6,811
	115,564	84,364
Commitments and contingencies (notes 4, 7 and 9)		
Shareholders' equity:		
Preferred stock - $0.01 par value; authorized - 1,000,000 shares; no shares issued or outstanding	--	--
Common stock - $0.01 par value; authorized - March 1, 1997, 150,000,000 shares and February 25, 1996, 100,000,000 shares; issued and outstanding - March 1, 1997, 68,603,022 shares and February 25, 1996, 68,067,972 shares	686	681
Additional paid-in capital	54,149	46,254
Retained earnings	159,526	104,511
Total shareholders' equity	214,361	151,446
	$329,925	$235,810

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF EARNINGS
BED BATH & BEYOND INC. AND SUBSIDIARIES

(in thousands, except share and per share data)	FISCAL YEAR ENDED MARCH 1, 1997	FEBRUARY 25, 1996	FEBRUARY 26, 1995
Net sales	$ 823,178	$ 601,252	$ 440,261
Cost of sales, including buying, occupancy and indirect costs	482,010	351,216	256,442
Gross profit	341,168	250,036	183,819
Selling, general and administrative expenses	250,561	182,451	132,134
Operating profit	90,607	67,585	51,685
Interest income (expense), net	704	(705)	(816)
Earnings before provision for income taxes	91,311	66,880	50,869
Provision for income taxes (note 5	36,296	27,421	20,856
Net earnings	$ 55,015	$ 39,459	$ 30,013
Net earnings per share	$ .78	$ .57	$ .43
Weighted-average shares outstanding	70,555,244	69,412,170	69,138,766

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
BED BATH & BEYOND INC. AND SUBSIDIARIES

(in thousands)	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL
Balance at February 27, 1994	67,592	$ 338	$ 41,928	$ 35,039	$ 77,305
Net earnings				30,013	30,013
Shares sold under employee stock option plan (note 11)	177	1	1,620		1,621
Balance at February 26, 1995	67,769	339	43,548	65,052	108,939
Net earnings				39,459	39,459
Shares sold under employee stock option plan (note 11)	299	2	3,046		3,048
Reclassification of additional paid-in capital to common stock in connection with the 2 for 1 stock split (note 1(g))		340	(340)		--
Balance at February 25, 1996	68,068	681	46,254	104,511	151,446
Net earnings				55,015	55,015
Shares sold under employee stock option plan (note 11)	535	5	7,895		7,900
BALANCE AT MARCH 1, 1997	68,603	$ 686	$ 54,149	$159,526	$214,361

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
BED BATH & BEYOND INC. AND SUBSIDIARIES

(in thousands)	FISCAL YEAR ENDED MARCH 1, 1997	FEBRUARY 25, 1996	FEBRUARY 26, 1995
Cash Flows from Operating Activities:			
Net earnings	$ 55,015	$ 39,459	$ 30,013
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	13,439	9,902	7,193
Loss from disposal of property and equipment	--	192	29
(Increase) decrease in assets:			
Merchandise inventories	(38,802)	(39,995)	(33,406)
Prepaid expenses and other current assets	25	1,530	1,163
Other assets	(5,143)	(2,429)	(1,875)
Increase in liabilities:			
Accounts payable	8,796	11,522	10,498
Accrued expenses and other current liabilities	20,976	12,123	5,673
Income taxes payable	3,551	2,799	2,393
Deferred rent	2,877	1,981	1,512
Net cash provided by operating activities	60,734	37,084	23,193
Cash Flows from Investing Activities:			
Capital expenditures	(35,136)	(24,528)	(24,523)
Net cash used in investing activities	(35,136)	(24,528)	(24,523)
Cash Flows from Financing Activities:			
Proceeds from long-term debt	17,000	55,060	64,500
Repayment of long-term debt	(22,000)	(66,860)	(61,000)
Proceeds from exercise of stock options	7,900	3,048	1,621
Net cash provided by (used in) financing activities	2,900	(8,752)	5,121
Net increase in cash and cash equivalents	28,498	3,804	3,791
Cash and cash equivalents:			
Beginning of period	10,267	6,463	2,672
End of period	$ 38,765	$ 10,267	$ 6,463

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RELATED MATTERS

a. Nature of Operations

Bed Bath & Beyond Inc. (the "Company") is a nationwide chain of "superstores" selling predominantly better quality domestics merchandise and home furnishings. As the Company operates in the retail industry, its results of operations are affected by general economic conditions and consumer spending habits.

b. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned.

All significant intercompany balances and transactions have been eliminated in consolidation.

c. Fiscal Year

Effective February 26, 1996, the Company changed its fiscal year-end from the 52 or 53 week period ending on the Sunday nearest February 28 to the 52 or 53 week period ending on the Saturday nearest February 28. Accordingly, the 1996 fiscal year consisted of 52 weeks and 6 days and ended on March 1, 1997; the 1995 fiscal year consisted of 52 weeks and ended on February 25, 1996; and the 1994 fiscal year consisted of 52 weeks and ended on February 26, 1995.

d. Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with maturities of three months or less to be cash equivalents.

e. Merchandise Inventories

Merchandise inventories are stated at the lower of cost or market, determined by means of the retail inventory method of accounting.

f. Property and Equipment

Property and equipment are stated at cost. Depreciation of furniture, fixtures and equipment is computed primarily by the straight-line method over the estimated useful lives of the assets, which is generally five to ten years. Leasehold costs are amortized by the straight-line method over the life of the lease and leasehold improvements are amortized by the straight-line method over the lesser of their estimated useful life or the life of the lease.

The cost of maintenance and repairs is charged to earnings as incurred; significant renewals and betterments are capitalized. Maintenance and repairs amounted to $9.6 million, $6.9 million and $4.7 million for fiscal 1996, 1995 and 1994, respectively.

g. Shareholders' Equity

In March 1996, the Board of Directors of the Company approved a two-for-one split of the Company's common stock in the form of a 100% stock dividend. The stock split was distributed on April 30, 1996 to shareholders of record on April 10, 1996. Accordingly, all share and per share data have been adjusted to give effect to the stock split.

In July 1996, the Company's Certificate of Incorporation was amended to increase the number of authorized shares of common stock (par value $.01 per share) from 100,000,000 shares to 150,000,000 shares.

h. Preopening Expenses

Expenses associated with new, relocated or expanded stores are charged to earnings as incurred.

i. Occupancy Costs

The Company accounts for scheduled rent increases contained in its leases on a straight-line basis over the noncancelable lease term. At March 1, 1997 and February 25, 1996, the accompanying consolidated balance sheets include deferred rent liabilities of $9.7 million and $6.8 million, respectively, relating to such scheduled rent increases.

j. Advertising Costs

Expenses associated with store advertising are charged to earnings as incurred. For the 1996, 1995 and 1994 fiscal years, advertising expenses amounted to $12.3 million, $9.3 million and $6.7 million, respectively.

k. Income Taxes

The Company files a consolidated Federal income tax return. Separate state income tax returns are filed with each state in which the Company conducts business.

The Company accounts for its income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date.

l. Earnings Per Share

Earnings per share is calculated using the weighted average shares and dilutive common equivalent shares (stock options) outstanding during the period.

m. Fair Value of Financial Instruments

The Company's financial instruments include cash and cash equivalents, accounts payable, accrued expenses and other current liabilities and long-term debt. The book value of cash and cash equivalents, accounts payable and accrued expenses and other current liabilities are representative of their fair values due to the short-term maturity of these instruments. The book value of the Company's long-term debt at February 25, 1996 is considered to approximate its fair value, based on current market rates and conditions.

n. Accounting Standards

In fiscal 1996, the Company adopted Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123). As permitted under SFAS No. 123, the Company has elected not to adopt the fair value based method of accounting for its stock-based compensation plans, but will continue to apply the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB No. 25). The Company has complied with the disclosure requirements of SFAS No. 123.

In fiscal 1996, the Company adopted Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of". There was no material impact on the Company's financial condition or results of operations as a result of the adoption.

o. Use of Estimates

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

2. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

(in thousands)	MARCH 1, 1997	FEBRUARY 25, 1996
Furniture, fixtures and equipment	$ 72,576	$ 47,495
Leasehold improvements	53,562	43,507
Leasehold purchases	4,331	4,331
	130,469	95,333
Less: Accumulated depreciation and amortization	(42,137)	(28,698)
	$ 88,332	$ 66,635

Depreciation and amortization expense was $13.4 million, $9.9 million and $7.2 million for fiscal 1996, 1995 and 1994, respectively.

3. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following:

(in thousands)	MARCH 1, 1997	FEBRUARY 25, 1996
Sales taxes payable	$ 5,079	$ 4,448
Other	42,844	22,499
	$47,923	$26,947

4. LONG-TERM DEBT

Under a credit agreement (the "Credit Agreement") concluded in November 1994, and subsequently amended in October 1995 and in February 1997, the Company may borrow up to $45.0 million under a revolving credit commitment for loans and letters of credit. The Credit Agreement matures in October 1998, at which time any revolving credit loans outstanding may be converted to a term loan payable in twelve quarterly installments maturing in October 2001. Interest on all borrowing is determined based upon several alternative rates as stipulated in the Credit Agreement. During fiscal 1996, 1995 and 1994, interest rates on outstanding debt ranged from 5.70% to 7.25%, 5.92% to 9.00% and 5.00% to 9.00%, respectively. As of March 1, 1997, there were no outstanding borrowings under the Credit Agreement and approximately $1.0 million in outstanding letters of credit.

The Credit Agreement contains certain covenants which, among other things, place limitations on payment of dividends, capital expenditures and certain expenses. Additionally, there are restrictions on additional borrowings and a requirement that the Company maintain certain financial ratios. Under the terms of these covenants, approximately $27.5 million was available for the payment of dividends at March 1, 1997.

5. PROVISION FOR INCOME TAXES

The components of the provision for income taxes are as follows:

	FISCAL YEARS		
(in thousands)	1996	1995	1994
Current:			
Federal	$ 32,157	$ 22,383	$ 17,156
State and local	7,034	6,901	5,410
	39,191	29,284	22,566
Deferred:			
Federal	(2,527)	(1,635)	(1,557)
State and local	(368)	(228)	(153)
	(2,895)	(1,863)	(1,710)
	$ 36,296	$ 27,421	$ 20,856

Included in other assets are deferred income taxes which reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of the Company's deferred tax assets consist of the following:

(in thousands)	MARCH 1, 1997	FEBRUARY 25, 1996
Deferred rent	$3,851	$2,816
Inventories	2,845	2,679
Other	2,894	1,200
	$9,590	$6,695

Reconciliations of the Federal statutory income tax rate to the effective tax rates are as follows:

	FISCAL YEARS		
	1996	1995	1994

Federal statutory income tax rate	35.00%	35.00%	35.00%
State income taxes, net of Federal tax benefit	4.75	6.48	6.72
Other	--	(.48)	(.72)
Effective tax rate	39.75%	41.00%	41.00%

6. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a. The Company has an interest in certain life insurance policies on the lives of its Chairman and President. The beneficiaries of these policies are related to the aforementioned individuals. The Company's interest in these policies is equivalent to the net premiums paid by the Company. At March 1, 1997 and February 25, 1996, other assets include $2.4 million and $1.8 million, respectively, representing the Company's interest in the life insurance policies.

b. The Company obtains certain payroll services from a related party. The Company paid fees for such services of $213,000, $161,000 and $121,000 for fiscal years 1996, 1995 and 1994, respectively.

c. The Company made charitable contributions to the Mitzi and Warren Eisenberg Family Foundation, Inc. (the "Eisenberg Foundation") and the Feinstein Family Foundation, Inc. (the "Feinstein Foundation") in the aggregate amounts of $240,000, $190,000 and $179,000 for fiscal 1996, 1995 and 1994, respectively. The Eisenberg Foundation and the Feinstein Foundation are each not-for-profit corporations of which Messrs. Eisenberg and Feinstein and their family members are the trustees and officers.

7. LEASES

The Company leases retail stores, as well as warehouses, office facilities and equipment under agreements expiring at various dates through 2017. Certain leases provide for contingent rents (based upon store sales exceeding stipulated amounts), scheduled rent increases and renewal options generally ranging from five to fifteen years. The Company is obligated under a majority of the leases to pay for taxes, insurance and common area maintenance charges.

As of March 1, 1997, future minimum lease payments under noncancelable operating leases are as follows:

FISCAL YEAR (in thousands)	AMOUNTS
1997	$ 54,605
1998	54,007
1999	52,353
2000	50,880
2001	50,041
Thereafter	336,112
Total minimum lease payments	$ 597,998

As of March 28, 1997, the Company had executed leases for twenty-three stores planned for opening in fiscal 1997.

Expenses for all operating leases were $52.0 million, $37.3 million and $26.1 million for fiscal years 1996, 1995 and 1994, respectively.

8. EMPLOYEE BENEFIT PLAN

The Company has a defined contribution 401(k) savings plan (the "Plan") covering all eligible employees. Participants may defer between 1% and 15% of annual pre-tax compensation not to exceed $9,500, $9,500 and $9,240 for calendar years 1997, 1996 and 1995, respectively; the Company has an option to contribute an amount as determined by the Board of Directors. In addition, each participant may elect to make voluntary, non-tax deductible contributions in excess of the pre-tax compensation limit up to 15% of compensation. As of March 1, 1997, the Company has made no contributions to the Plan.

9. EMPLOYMENT AGREEMENTS

Under terms of employment agreements with its Chairman and President extending through June 1997, the Company is required to pay each a base salary (which may be increased by the Board of Directors) of $750,000 per annum. The agreements also provide for other terms and conditions of employment, including termination payments.

10. SUPPLEMENTAL CASH FLOW INFORMATION

The Company paid income taxes of $31.2 million, $25.2 million and $19.5 million in fiscal 1996, 1995 and 1994, respectively.

The Company also paid interest of $108,000, $991,000 and $823,000 in fiscal 1996, 1995 and 1994, respectively.

11. STOCK COMPENSATION PLANS

Under its 1996 Stock Option Plan (the "1996 Plan"), the Company may grant options to purchase not more than an aggregate of 2,000,000 shares of common stock, subject to adjustment under certain circumstances. No options have been granted under the 1996 Plan as of March 1, 1997. Under its Amended 1992 Stock Option Plan (the "1992 Plan"), the Company may grant options to purchase not more than an aggregate of 5,600,000 shares of common

11. STOCK COMPENSATION PLANS (CONTINUED)

stock, subject to adjustment under certain circumstances. Some or all of the options under the stock option plans may be "incentive stock options" within the meaning of the Internal Revenue Code of 1986. Options have been granted at market value and are exercisable at a rate of 20% per year over a five-year period commencing with the date of the grant, or one or two years thereafter and expire ten years from the date of grant.

The following table summarizes stock option transactions:

	NUMBER OF SHARES	WEIGHTED - AVERAGE EXERCISE PRICE
Balance at February 27, 1994	2,642,510	$ 6.46
Options granted	848,800	12.87
Options exercised	(177,080)	5.34
Options canceled	(201,140)	8.87
Balance at February 26, 1995	3,113,090	8.12
Options granted	1,121,500	11.22
Options exercised	(299,090)	5.87
Options canceled	(279,640)	12.07
Balance at February 25, 1996	3,655,860	8.96
Options granted	819,200	21.43
Options exercised	(535,050)	6.26
Options canceled	(191,970)	13.00
Balance at March 1, 1997	3,748,040	$11.86
Options exercisable:		
At February 25, 1996	679,540	$ 6.46
At March 1, 1997	822,780	$ 8.05

The stock option committees appointed pursuant to the stock option plans determine the number of shares and the option price per share for all options issued under the stock option plans.

The following tables summarize information pertaining to stock options outstanding and exercisable at March 1, 1997:

	OPTIONS OUTSTANDING		
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED-AVERAGE EXERCISE PRICE
$ 4.25 to 7.38	718,380	5.34	$ 4.65
8.16 to 9.22	620,240	6.15	8.19
9.47 to 11.34	733,700	8.12	9.49
11.47 to 18.25	884,020	7.66	13.73
19.75 to 29.06	791,700	9.43	21.39
$ 4.25 to 29.06	3,748,040	7.43	$ 11.86

	OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER EXERCISABLE	WEIGHTED-AVERAGE EXERCISE PRICE
$ 4.25 to 7.38	428,100	$ 4.65
8.16 to 9.22	116,480	8.23
9.47 to 11.34	23,220	9.52
11.47 to 18.25	254,140	13.52
19.75 to 29.06	840	20.03
$ 4.25 to 29.06	822,780	$ 8.05

The Company applies APB No. 25 and related interpretations in accounting for its stock option plans. Accordingly, no compensation cost has been recognized in connection with the plans. Had compensation costs for options granted in fiscal 1996 and 1995 been determined based on the fair value at the grant dates for awards under the plans consistent with the methodology of SFAS No. 123, the Company's pro forma net income and earnings per share would have been \$53.9 million and \$.76 in fiscal 1996, respectively, and \$39.1 million and \$.56 in fiscal 1995, respectively.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions used for grants for fiscal years 1996 and 1995, respectively: dividend yield of 0% for both years; expected volatility of 42% for both years; risk-free interest rates of 6.62% and 6.52%; and expected lives of six years for both years. The weighted-average fair value of options granted during the year is \$11.65 and \$5.89, for fiscal years 1996 and 1995, respectively.

12. SUMMARY OF QUARTERLY RESULTS (UNAUDITED)

(in thousands, except per share data)	FISCAL 1996 QUARTER ENDED MAY 26, 1996	AUGUST 25, 1996	NOVEMBER 24, 1996	MARCH 1, 1997
Net sales	$159,658	$203,503	$214,793	$245,224
Gross profit	65,788	83,937	88,664	102,779
Operating profit	12,661	25,034	22,812	30,100
Earnings before provision for income taxes	12,803	25,071	23,037	30,400
Provision for income taxes	5,089	9,966	9,157	12,084
Net earnings	$ 7,714	$ 15,105	$ 13,880	$ 18,316
Net earnings per share	$ .11	$ .21	$ .20	$ .26

(in thousands, except per share data)	FISCAL 1995 QUARTER ENDED MAY 28, 1995	AUGUST 27, 1995	NOVEMBER 26, 1995	FEBRUARY 25, 1996
Net sales	$113,452	$150,110	$161,789	$175,901
Gross profit	46,864	62,224	66,944	74,004
Operating profit	9,787	18,936	17,101	21,761
Earnings before provision for income taxes	9,594	18,602	16,959	21,725
Provision for income taxes	3,934	7,627	6,953	8,907
Net earnings	$ 5,660	$ 10,975	$ 10,006	$ 12,818
Net earnings per share	$ .08	$ .16	$ .14	$ .19

INDEPENDENT AUDITORS' REPORT

[LOGO] KPMG Peat Marwick LLP

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF BED BATH & BEYOND INC.:

We have audited the accompanying consolidated balance sheets of Bed Bath & Beyond Inc. and subsidiaries as of March 1, 1997 and February 25, 1996, and the related consolidated statements of earnings, changes in shareholders' equity and cash flows for each of the fiscal years in the three-year period ended March 1, 1997. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bed Bath & Beyond Inc. and subsidiaries as of March 1, 1997 and February 25, 1996, and the results of their operations and their cash flows for each of the fiscal years in the three-year period ended March 1, 1997 in conformity with generally accepted accounting principles.

/s/ KPMG Peat Marwick LLP

New York, New York
March 28, 1997

CORPORATE DATA

EXECUTIVE OFFICERS & DIRECTORS

Warren Eisenberg
Chairman, Co-Chief Executive Officer and Director

Leonard Feinstein
President, Co-Chief Executive Officer and Director

Steven H. Temares
Executive Vice President - Chief Operating Officer

Ronald Curwin
Chief Financial Officer and Treasurer

Klaus Eppler
Director - Partner, Proskauer Rose Goetz & Mendelsohn LLP,
New York, New York

Robert S. Kaplan
Director - General Partner, Goldman, Sachs & Co.,
New York, New York

Robert J. Swartz
Director - Independent Consultant

KEY MANAGERS

Matthew Fiorilli
Director of Store Operations - Eastern Region

Harold Kislik
General Merchandise Manager - Domestics Merchandise

Phillip Kornbluh
Director of Store Planning

Jonathan Rothstein
General Merchandise Manager - Home Furnishings

Arthur Stark
Director of Store Operations - Western Region

CORPORATE OFFICE

Bed Bath & Beyond Inc.
650 Liberty Avenue
Union, New Jersey 07083
Telephone: 908/688-0888

SHAREHOLDER INFORMATION

The Company's 1996 Annual Report on Form 10-K (excluding exhibits) may be obtained, at no cost, by writing to the Chief Financial Officer and Treasurer at the Company's Corporate Office (Fax: 908/810-8813).

STOCK LISTING

The Common Stock of Bed Bath & Beyond Inc. is traded through the NASDAQ National Market System under the symbol "BBBY".

STOCK ACTIVITY

The following table sets forth by fiscal quarter the high and low reported sales prices of the Company's Common Stock on the NASDAQ National Market System during fiscal 1995 and fiscal 1996:

	High	Low
Fiscal 1995		
First Quarter	$13 1/4	$ 9
Second Quarter	16 1/2	10 5/16
Third Quarter	18 7/16	12 1/2
Fourth Quarter	22 7/16	15
Fiscal 1996		
First Quarter	$31 1/2	$19 11/16
Second Quarter	31	18 1/4
Third Quarter	29 3/4	20 3/8
Fourth Quarter	31 3/4	24 1/8

At March 28, 1997, there were approximately 500 shareholders of record. This number excludes individual shareholders holding stock under nominee security position listings.

TRANSFER AGENT

The Transfer Agent should be contacted on questions of change of address, name or ownership, lost certificates and consolidation of accounts.

American Stock Transfer & Trust Company

40 Wall Street
46th Floor
New York, New York 10005
Telephone: 800/937-5449

INDEPENDENT AUDITORS

KPMG Peat Marwick LLP
345 Park Avenue
New York, New York 10154

ANNUAL MEETING

The Annual Meeting of Shareholders will be held at 9:00 A.M. Thursday, June 26, 1997, at the Headquarters Plaza Hotel, Three Headquarters Plaza, Morristown, New Jersey.

25
BED BATH & BEYOND

650 LIBERTY AVENUE
UNION, NJ 07083
908/688-0888

Exhibit 21

SUBSIDIARIES OF BED BATH & BEYOND INC.

The following are all of the subsidiaries of Bed Bath & Beyond Inc. other than: (i) 100% owned subsidiaries of Bed n Bath Stores, Inc. which subsidiaries hold no assets other than a single store lease and, in some cases, fully depreciated fixed assets; and (ii) subsidiaries which in the aggregate would not constitute a significant subsidiary.

NAME	STATE
BBBL, Inc.	Delaware
BBBY Management Corp.	New Jersey
Bed n Bath Stores, Inc.	New Jersey

Exhibit 23

INDEPENDENT AUDITORS' CONSENT

The Board of Directors and Shareholders
Bed Bath & Beyond Inc.:

We consent to incorporation by reference in the registration statements (No. 33-63902, 33-87602, and 333-18011) on Forms S-8 of Bed Bath & Beyond Inc. of our report dated March 28, 1997, relating to the consolidated balance sheets of Bed Bath & Beyond Inc. and subsidiaries as of March 1, 1997 and February 25, 1996, and the related consolidated statements of earnings, changes in shareholders' equity, and cash flows for each of the fiscal years in the three-year period ended March 1, 1997, which report appears in the March 1, 1997 annual report on Form 10-K of Bed Bath & Beyond Inc.

/s/ KPMG PEAT MARWICK LLP

New York, New York
May 28, 1997

5

YEAR
MAR-01-1997
FEB-26-1996
MAR-01-1997
38,765
0
0
0
187,185
227,555
130,469
42,137
329,925
105,876
0
0
0
686
213,675
329,925
832,178
823,178
482,010
482,010
250,561
0
(704)
91,311
36,296
55,015
0
0
0
55,015
.78
.78