

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-K/A

(Amendment 2)

(Mark One)

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

For the fiscal year ended January 30, 1999

OR

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

For the transition period from _____ to _____

Commission file number 1-8344

THE LIMITED, INC.

(Exact name of registrant as specified in its charter)

Delaware

31-1029810

(State or other jurisdiction of incorporation or
organization)

(I.R.S. Employer
Identification No.)

Three Limited Parkway, P.O. Box 16000, Columbus, Ohio 43216

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (614) 415-7000

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

| Title of each class | Name of each exchange on which registered |
|---------------------|---|
|---------------------|---|

| | |
|-------------------------------|-----------------------------|
| Common Stock, \$.50 Par Value | The New York Stock Exchange |
|-------------------------------|-----------------------------|

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

Indicate by check mark whether the registrant (1) has filed all reports required
to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during
the preceding 12 months and (2) has been subject to the filing requirements for
the past 90 days. Yes 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/A or any amendment to
this Form 10-K/A. X

Aggregate market value of the registrant's Common Stock held by non-affiliates
of the registrant as of January 27, 1999: \$6,838,233,542.

Number of shares outstanding of the registrant's Common Stock as of January 27,
2000: 214,954,296.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant's annual report to shareholders for the fiscal year
ended January 30, 1999 are incorporated by reference into Part I, Part II and
Part IV, and portions of the registrant's proxy statement for the Annual Meeting
of Shareholders scheduled for May 17, 1999 are incorporated by reference into
Part III.

PART I

INFORMATION REGARDING FILING OF FORM 10-K/A (AMENDMENT 2)

Change in Accounting for Gift Certificates, Store Credits and Layaway Sales

The Company sells gift certificates in exchange for cash and issues store credits in exchange for the value of returned merchandise. These gift certificates and store credits do not expire and both can be redeemed toward the purchase of merchandise in the future. The Company also offers a layaway sales program, which allows customers to make payments over a period of time toward the purchase of merchandise.

As discussed in Note 2 to the Consolidated Financial Statements, the Company has changed its accounting for gift certificates, store credits and layaway sales. The change was made after the issuance of the recent Securities and Exchange Commission Staff Accounting Bulletin, No. 101, "Revenue Recognition in Financial Statements." The Company had historically recognized net receipts/(redemptions) from gift certificates and store credits as a reduction/(increase) to general, administrative and store operating expenses. Layaway sales were recognized upon receipt of the initial payment. The Company now defers the recognition of income on these transactions until the merchandise is delivered to the customer.

The Company has given retroactive effect to this accounting change by restating its previously issued financial statements, including the Consolidated Statements of Operations for the years ended January 30, 1999, January 31, 1998 and February 1, 1997. In addition, the restatement resulted in changes to the Consolidated Balance Sheets as of January 30, 1999 and January 31, 1998, and to Notes 1, 7, 8, 14 and 15 to the Consolidated Financial Statements. Although the restatement has no impact on the cash flows of the Company, certain classifications within the Consolidated Statements of Cash Flows for the fiscal years ended January 30, 1999, January 31, 1998 and February 1, 1997 were adjusted to reflect the restatement.

ITEM 1. BUSINESS.

General.

The Limited, Inc., a Delaware corporation (including its subsidiaries, the "Company"), is principally engaged in the purchase, distribution and sale of women's, men's and children's apparel, women's intimate apparel, personal care products, and a wide variety of sporting goods. The Company operates an integrated distribution system which supports its retail activities. These activities are conducted under various trade names primarily through the retail stores and catalogue businesses of the Company. Merchandise is targeted to appeal to customers in various market segments that have distinctive consumer characteristics.

Description of Operations.

General.

As of January 30, 1999, the Company conducted its business in two primary segments: (1) the Apparel segment, which derives its revenues from sales of women's, men's and children's apparel; and (2) Intimate Brands, Inc. ("IBI") (a corporation in which the Company holds an 84.5% interest), which derives its revenues from sales of women's intimate and other apparel, and personal care products and accessories.

Effective May 19, 1998, the Company completed a tax-free exchange offer to establish Abercrombie & Fitch ("A&F") as an independent public company. Further information regarding this transaction is contained in Note 3 of the Notes to the Consolidated Financial Statements included in The Limited, Inc., 1998 Annual Report to Shareholders, portions of which are annexed hereto as Exhibit 13 (the "1998 Annual Report") and are incorporated herein by reference.

The following chart reflects the retail businesses and the number of stores in operation for each segment at January 30, 1999 and January 31, 1998.

NUMBER OF STORES

RETAIL BUSINESSES

| | January 30, 1999 | January 31, 1998 |
|------------------------------|---------------------|---------------------|
| Apparel Businesses | | |
| Express | 702 | 753 |
| Lerner New York | 643 | 746 |
| Lane Bryant | 730 | 773 |
| The Limited | 551 | 629 |
| Structure | 532 | 544 |
| Limited Too | 319 | 312 |
| Total Apparel | 3,477 | 3,757 |
| Intimate Brands | | |
| Victoria's Secret Stores | 829 | 789 |
| Bath & Body Works | 1,061 | 921 |
| Total Intimate Brands | 1,890 | 1,710 |
| Other | | |
| Galyan's Trading Co. | 14 | 11 |
| Henri Bendel | 1 | 6 |
| Abercrombie & Fitch* | - | 156 |
| Total | 5,382 | 5,640 |

* - The A&F business was split off effective May 19, 1998 via a tax-free exchange offer.

The following table shows the changes in the number of retail stores operated by the Company for the past five fiscal years:

| Fiscal Year | Beginning of Year | Acquired | Opened | Closed | End of Year |
|-------------|----------------------|----------|--------|---------|----------------|
| 1994 | 4,623 | - | 358 | (114) | 4,867 |
| 1995 | 4,867 | 6 | 504 | (79) | 5,298 |
| 1996 | 5,298 | - | 470 | (135) | 5,633 |
| 1997 | 5,633 | - | 315 | (308) | 5,640 |
| 1998 | 5,640 | - | 251 | * (509) | 5,382 |

* Includes 159 stores from the May 19, 1998 split-off of A&F.

The Company also owns Mast Industries, Inc., a contract manufacturer and apparel importer, and Gryphon Development, Inc. ("Gryphon"), which is a subsidiary of IBI. Gryphon creates, develops and contract manufactures a substantial portion of the personal care products sold by the Company. During fiscal year 1998, the Company purchased merchandise from approximately 4,700 suppliers and factories located throughout the world. In addition to purchases through Mast and Gryphon, the Company purchased merchandise in foreign markets and in the domestic market, some of which is manufactured overseas. The Company's business is subject to a variety of risks generally associated with doing business in foreign markets and importing merchandise from abroad, such as political instability, currency and exchange risks, and local business practice and political issues. The Company has established formal policies and procedures designed to address such risks; however, they remain beyond the Company's control. No more than 5% of goods purchased originated from any single manufacturer.

Most of the merchandise and related materials for the Company's stores is shipped to the Company's distribution centers in the Columbus, Ohio area. The Company uses common and contract carriers to distribute merchandise and related materials to its stores. The Company's businesses generally have independent distribution capabilities and no business receives priority over any other business.

The Company's policy is to maintain sufficient quantities of inventory on hand in its retail stores and distribution centers so that it can offer customers a full selection of current merchandise. The Company emphasizes rapid turnover and takes markdowns as required to keep merchandise fresh and current with fashion trends.

The Company views the retail apparel market as having two principal selling seasons, Spring and Fall. As is generally the case in the retail apparel industry, the Company experiences its peak sales activity during the Fall season. This seasonal sales pattern results in increased inventory during the Fall and Christmas holiday selling periods. During fiscal year 1998, the highest inventory level was \$1.6 billion at the November 1998 month-end and the lowest inventory level was \$1.0 billion at the May 1998 month-end.

Merchandise sales are paid for in cash, by personal check, and with credit cards issued by third parties or credit cards issued by the Company's 31%-owned credit card processing venture, Alliance Data Systems, for customers of Express, Lerner New York, Lane Bryant, Limited, Henri Bendel, Victoria's Secret Stores, Victoria's Secret Catalogue, and Structure.

The Company offers its customers a liberal return policy stated as "No Sale is Ever Final." The Company believes that certain of its competitors offer similar credit card and service policies.

The following is a brief description of each of the Company's operating businesses, including their respective target markets.

APPAREL BUSINESSES
- - - - -

Express - is a leading specialty retailer of women's sportswear and accessories.
- - - - -

Express' strategy is to offer new, international fashion to its base of young, style-driven women. Launched in 1980, Express had net sales of \$1.4 billion in 1998 and operated 702 stores in 48 states.

Lerner New York - is a leading mall-based specialty retailer of women's apparel. The business's strategy is to offer women's fashion with a "New York" feel, under the umbrella of the New York & Company brand. Originally founded in 1918, Lerner New York was purchased by The Limited in 1985. Lerner New York had net sales of \$940 million in 1998 and operated 643 stores in 44 states.

Lane Bryant - is the leading specialty store retailer of full-figured women's apparel, offering knit tops, sweaters, pants, jeans and intimate apparel for women size 14-plus. Originally founded in 1900, Lane Bryant was acquired by The Limited in 1982. The business had net sales of \$933 million in 1998 and operated 730 stores in 46 states.

Limited - is a mall-based specialty store retailer. The business's strategy is to focus on classic, sophisticated, modern sportswear for twenty-something American women. Founded in 1963, Limited Stores had net sales of \$757 million in 1998 and operated 551 stores in 47 states.

Structure - is a leading mall-based specialty retailer of men's clothing,

offering classic American sportswear. Structure operates 532 stores in 43
states and had net sales of \$610 million in 1998.

Limited Too - established in 1987, sells apparel, lifestyle and personal care

products for fashion-aware, trend-setting young girls, through 319 stores in 43
states. Limited Too had net sales of \$377 million in 1998.

INTIMATE BRANDS -----

Victoria's Secret Stores - is one of the world's leading specialty retailers of

women's intimate apparel and related products. Victoria's Secret Stores
(including Victoria's Secret Beauty) operates over 820 stores nationwide and had
net sales of \$1.8 billion in 1998.

Victoria's Secret Catalogue- is a leading specialty catalogue retailer of

intimate and other women's apparel. At the end of 1998, Victoria's Secret
Catalogue launched its own web site, www.VictoriasSecret.com, through which its
products may be purchased worldwide. Victoria's Secret Catalogue mailed
approximately 406 million catalogues and had net sales of \$759 million in 1998.

Bath & Body Works - is the leading mall-based specialty retailer of personal

care products. Launched in 1990, Bath & Body Works (including White Barn Candle
Company) operates over 1,050 stores nationwide and had net sales of \$1.3
billion in 1998.

OTHER -----

Galyan's - is an operator of full-line sporting goods and apparel superstores in

the Midwestern United States. Galyan's operates 14 stores in six markets,
targeting sports enthusiasts. Acquired by The Limited in July 1995, Galyan's
had net sales of \$220 million in 1998.

Henri Bendel - operates a single specialty store in New York City which features

fashions for sophisticated, higher-income women. The business was purchased by
The Limited in 1988 and had net sales of \$40 million in 1998. The Limited closed
five Henri Bendel stores during 1998.

Additional information about the Company's business, including its revenues and
profits for the last three years, plus selling square footage and other
information about each of the Company's operating businesses, is set forth under
the caption "Management's Discussion and Analysis" of the 1998 Annual Report and
is incorporated herein by reference. For the financial results of the Company's
reportable operating segments, see Note 14 of the Notes to the Consolidated
Financial Statements included in the 1998 Annual Report, incorporated herein by
reference.

Competition.

The sale of intimate and other apparel, personal care products and sporting
goods through retail stores is a highly competitive business with numerous
competitors, including individual and chain fashion specialty stores, department
stores and discount retailers. Design, price, service, selection and quality are
the principal competitive factors in retail store sales. The Company's catalogue
business competes with numerous

national and regional catalogue merchandisers. Design, price, service, quality, image presentation and fulfillment are the principal competitive factors in catalogue and on-line sales.

The Company is unable to estimate the number of competitors or its relative competitive position due to the large number of companies selling apparel and personal care products at retail through stores, catalogues and the Internet.

Associate Relations.

On January 30, 1999, the Company employed approximately 126,800 associates, 92,300 of whom were part-time. In addition, temporary associates are hired during peak periods, such as the Christmas season.

ITEM 2. PROPERTIES.

The Company's business is principally conducted from office, distribution and shipping facilities located in the Columbus, Ohio area. Additional facilities are located in New York City, New York; Indianapolis, Indiana; Andover, Massachusetts; Kettering, Ohio; Rio Rancho, New Mexico and London, England.

The distribution and shipping facilities owned by the Company consist of nine buildings located in the Columbus, Ohio area and one building in Indianapolis, Indiana. Excluding office space, these buildings comprise approximately 6.3 million square feet.

Substantially all of the retail stores operated by the Company are located in leased facilities, primarily in shopping centers throughout the continental United States. The leases expire at various dates between 1999 and 2028 and frequently have renewal options.

Typically, when space is leased for a retail store in a shopping center, all improvements, including interior walls, floors, ceilings, fixtures and decorations, are supplied by the tenant. In certain cases, the landlord of the property may provide a construction allowance to fund all or a portion of the cost of improvements. The cost of improvements varies widely, depending on the size and location of the store. Rental terms for new locations usually include a fixed minimum rent plus a percentage of sales in excess of a specified amount. Certain operating costs such as common area maintenance, utilities, insurance, and taxes are typically paid by tenants.

ITEM 3. LEGAL PROCEEDINGS.

The Company is a defendant in a variety of lawsuits arising in the ordinary course of business.

On November 13, 1997, the United States District Court for the Southern District of Ohio, Eastern Division, dismissed with prejudice an amended complaint that had been filed against the Company and certain of its subsidiaries by the American Textile Manufacturers Institute ("ATMI"), a textile industry trade association. The amended complaint alleged that the defendants violated the federal False Claims Act by submitting false country of origin records to the U.S. Customs Service. On November 26, 1997, ATMI served a motion to alter or amend judgment and a motion to disqualify the presiding judge and to vacate the order of dismissal. The motion to disqualify was denied on December 22, 1997, but as a matter of his personal discretion, the presiding judge elected to recuse himself from further proceedings and this matter was transferred to a judge of the United States District Court for the Southern District of Ohio, Western Division. On May 21, 1998, this judge denied all pending motions seeking to alter, amend or vacate the judgment that had been entered in favor of the Company.

On June 5, 1998, ATMI appealed to the United States Court of Appeals for the Sixth Circuit, where the matter remains pending.

On January 13, 1999, two complaints were filed against the Company and its subsidiary, Lane Bryant, Inc., as well as other defendants, including many national retailers. Both complaints relate to labor practices allegedly employed on the island of Saipan, Commonwealth of the Northern Mariana Islands, by apparel manufacturers unrelated to the Company (some of which have sold goods to the Company) and seek injunctions, unspecified monetary damages, and other relief. One complaint, on behalf of a class of unnamed garment workers, filed in the United States District Court for the Central District of California, Western Division, alleges violations of federal statutes, the United States Constitution, and international law. On March 29, 1999, a motion was filed to transfer this action to the United States District Court located on Saipan, and the Company intends to file a motion to dismiss the complaint for failure to state a claim upon which relief can be granted. The second complaint, filed by a national labor union and other organizations in the Superior Court of the State of California, San Francisco County, alleges unfair business practices under California law. On March 29, 1999, the Company filed a motion seeking dismissal of this complaint.

Although it is not possible to predict with certainty the eventual outcome of any litigation, in the opinion of management, the foregoing proceedings are not expected to have a material adverse effect on the Company's financial position or results of operations.

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

Not applicable.

SUPPLEMENTAL ITEM. EXECUTIVE OFFICERS OF THE REGISTRANT.

Set forth below is certain information regarding the executive officers of the Company as of January 30, 1999.

Leslie H. Wexner, 61, has been Chairman of the Board of Directors of the Company for more than five years and its President and Chief Executive Officer since he founded the Company in 1963.

Kenneth B. Gilman, 52, has been Vice Chairman and Chief Administrative Officer of the Company since June 1997. Mr. Gilman was the Vice Chairman and Chief Financial Officer of the Company from June 1993 to June 1997. Mr. Gilman was the Executive Vice President and Chief Financial Officer of the Company for more than five years prior thereto.

V. Ann Hailey, 48, has been Executive Vice President and Chief Financial Officer of the Company since August 1997. Ms. Hailey was Senior Vice President and Chief Financial Officer for Pillsbury from August 1994 to August 1997.

Martin Trust, 64, has been President and Chief Executive Officer of Mast Industries, Inc., a wholly-owned subsidiary of the Company, for more than five years.

Arnold F. Kanarick, 58, has been Executive Vice President and Chief Human Resources Officer since October 1992.

All of the above officers serve at the pleasure of the Board of Directors of the Company.

PART II

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

Information regarding markets in which the Company's common stock was traded during fiscal years 1998 and 1997, approximate number of holders of common stock, and quarterly cash dividend per share information of the Company's common stock for the fiscal years 1998 and 1997 is set forth under the caption "Market Price and Dividend Information" on page 22 of the 1998 Annual Report and is incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA.

Selected financial data is set forth under the caption "Financial Summary" on page 3 of the 1998 Annual Report and is incorporated herein by reference.

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

Management's discussion and analysis of financial condition and results of operations is set forth under the caption "Management's Discussion and Analysis" on pages 4 through 11 of the 1998 Annual Report and is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The Consolidated Financial Statements of the Company and subsidiaries, the Notes to Consolidated Financial Statements and the Report of Independent Accountants are set forth in the 1998 Annual Report and are incorporated herein by reference.

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Information regarding directors of the Company is set forth under the captions "ELECTION OF DIRECTORS - Nominees and directors", "- Committees of the Board of Directors" and "- Security ownership of directors and management" on pages 4 through 9 of the Company's proxy statement for the Annual Meeting of Shareholders to be held May 17, 1999 (the "Proxy Statement") and is incorporated herein by reference. Information regarding compliance with Section 16(a) of the Securities Exchange Act of 1934, as amended is set forth under the caption "EXECUTIVE COMPENSATION - Section 16(a) beneficial ownership reporting compliance" on page 15 of the Proxy Statement and is incorporated herein by reference. Information regarding executive officers is set forth herein under the caption "SUPPLEMENTAL ITEM. EXECUTIVE OFFICERS OF THE REGISTRANT" in Part I.

ITEM 11. EXECUTIVE COMPENSATION.

Information regarding executive compensation is set forth under the caption "EXECUTIVE COMPENSATION" on pages 11 through 15 of the Proxy Statement and is incorporated herein by reference. Such incorporation by reference shall not be deemed to specifically incorporate by reference the information referred to in Item 402(a)(8) of Regulation S-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

Information regarding the security ownership of certain beneficial owners and management is set forth under the captions "ELECTION OF DIRECTORS - Security ownership of directors and management" on pages 8 and 9 of the Proxy Statement and "SHARE OWNERSHIP OF PRINCIPAL STOCKHOLDERS" on page 21 of the Proxy Statement and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Information regarding certain relationships and related transactions is set forth under the captions "ELECTION OF DIRECTORS - Nominees and directors" on pages 4 through 6 of the Proxy Statement and "ELECTION OF DIRECTORS - Certain relationships and related transactions" on pages 9 and 10 of the Proxy Statement and is incorporated herein by reference.

PART IV

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

(a) (1) List of Financial Statements.

The following consolidated financial statements of The Limited, Inc. and Subsidiaries and the related notes are filed as a part of this report pursuant to ITEM 8:

Consolidated Statements of Income for the fiscal years ended January 30, 1999, January 31, 1998 and February 1, 1997.

Consolidated Statements of Shareholders' Equity for the fiscal years ended January 30, 1999, January 31, 1998 and February 1, 1997.

Consolidated Balance Sheets as of January 30, 1999 and January 31, 1998.

Consolidated Statements of Cash Flows for the fiscal years ended January 30, 1999, January 31, 1998 and February 1, 1997.

Notes to Consolidated Financial Statements.

Report of Independent Accountants.

(a) (2) List of Financial Statement Schedules.

All schedules required to be filed as part of this report pursuant to ITEM 14(d) are omitted because the required information is either presented in the financial statements or notes thereto, or is not applicable, required or material.

(a) (3) List of Exhibits.

3. Articles of Incorporation and Bylaws.

3.1. Certificate of Incorporation of the Company incorporated by reference to Exhibit 3.4 to the Company's Annual Report on Form 10-K/A for the fiscal year ended January 30, 1988.

3.2. Restated Bylaws of the Company.

4. Instruments Defining the Rights of Security Holders.

4.1. Copy of the form of Global Security representing the Company's 7 1/2% Debentures due 2023, incorporated by reference to Exhibit 1 to the Company's Current Report on Form 8-K dated March 4, 1993.

4.2. Conformed copy of the Indenture dated as of March 15, 1988 between the Company and The Bank of New York, incorporated by reference to Exhibit 4.1(a) to the Company's

Current Report on Form 8-K dated March 21, 1989.

- 4.3. Copy of the form of Global Security representing the Company's 8 7/8% Notes due August 15, 1999, incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated August 14, 1989.
- 4.4. Copy of the form of Global Security representing the Company's 9 1/8% Notes due February 1, 2001, incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated February 6, 1991.
- 4.5. Copy of the form of Global Security representing the Company's 7.80% Notes due May 15, 2002, incorporated by reference to the Company's Current Report on Form 8-K dated February 27, 1992.
- 4.6. Proposed form of Debt Warrant Agreement for Warrants attached to Debt Securities, with proposed form of Debt Warrant Certificate incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-3 (File no. 33-53366) originally filed with the Securities and Exchange Commission (the "Commission") on October 16, 1992, as amended by Amendment No. 1 thereto, filed with the Commission on February 23, 1993 (the "1993 Form S-3").
- 4.7. Proposed form of Debt Warrant Agreement for Warrants not attached to Debt Securities, with proposed form of Debt Warrant Certificate incorporated by reference to Exhibit 4.3 to the 1993 Form S-3.
- 4.8. Credit Agreement dated as of September 25, 1997 among the Company, Morgan Guaranty Trust Company of New York and the banks listed therein, incorporated by reference to Exhibit 4.8 to the Company's Quarterly Report on Form 10-Q for the quarter ended November 1, 1997.

10. Material Contracts.

- 10.1. The 1987 Stock Option Plan of The Limited, Inc., incorporated by reference to Exhibit 28(a) to the Company's Registration Statement on Form S-8 (File No. 33-18533).
- 10.2. Officers' Benefits Plan incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended January 28, 1989 (the "1988 Form 10-K").
- 10.3. The Limited Deferred Compensation Plan incorporated by reference to Exhibit 10.4 to the 1990 Form 10-K.
- 10.4. Form of Indemnification Agreement between the Company and the directors and executive officers of the Company.
- 10.5. Supplemental schedule of directors and executive officers who are parties to an Indemnification Agreement.
- 10.6. The 1993 Stock Option and Performance Incentive Plan of the Company, incorporated by reference to Exhibit 4 to the Company's Registration Statement on Form S-8 (File No. 33-49871).
- 10.7. Contingent Stock Redemption Agreement dated as of January 26, 1996 among the Company, Leslie H. Wexner and The Wexner Children's Trust, incorporated by reference to Exhibit 10.13 to the 1996 Form 10-K.
- 10.8. Amendment dated July 19, 1996 to the Contingent Stock Redemption Agreement dated as of January 26, 1996 among the Company, Leslie H. Wexner and The Wexner Children's Trust, incorporated by reference to Exhibit 10.14 to the 1996 Form 10-K.

- 10.9. The 1997 Restatement of The Limited, Inc. 1993 Stock Option and Performance Incentive Plan incorporated by reference to Exhibit B to the Company's Proxy Statement dated April 14, 1997.
- 10.10. The Limited, Inc. 1996 Stock Plan for Non-Associate Directors incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended November 2, 1996.
- 10.11. The Limited, Inc. Incentive Compensation Performance Plan incorporated by reference to Exhibit A to the Company's Proxy Statement dated April 14, 1997.
- 10.12. Employment Agreement by and between The Limited, Inc. and Kenneth B. Gilman dated as of May 20, 1997 with exhibits, incorporated by reference to Exhibit 10.20 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1998 (the "1997 Form 10-K").
- 10.13. Employment Agreement by and between The Limited, Inc. and Arnold F. Kanarick dated as of May 20, 1997 with exhibits, incorporated by reference to Exhibit 10.21 to the 1997 Form 10-K.
- 10.14. Employment Agreement by and between The Limited, Inc. and Martin Trust dated as of May 20, 1997 with exhibits, incorporated by reference to Exhibit 10.22 to the 1997 Form 10-K.
- 10.15. The 1998 Restatement of the Limited, Inc. 1993 Stock Option and Performance Incentive Plan incorporated by reference to Exhibit A to the Company's Proxy Statement dated April 20, 1998.
- 10.16. Employment Agreement by and between The Limited, Inc. and V. Ann Hailey dated as of July 27, 1998 incorporated by reference to Exhibit 10.19 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 1, 1998.
11. Statement re: Restated Computation of Per Share Earnings.
12. Statement re: Computation of Restated Ratio of Earnings to Fixed Charges.
13. Excerpts from the 1998 Annual Report to Shareholders including "Financial Summary", "Management's Discussion and Analysis", "Consolidated Financial Statements and Notes to Consolidated Financial Statements" and "Report of Independent Accountants" on pages 3 through 22.
21. Subsidiaries of the Registrant.
23. Consent of Independent Accountants.
24. Powers of Attorney.

27. Restated Financial Data Schedule.

99. Annual Report of The Limited, Inc. Savings and Retirement Plan.

(b) Reports on Form 8-K.

No reports on Form 8-K were filed during the fourth quarter of fiscal year 1998.

(c) Exhibits.

The exhibits to this report are listed in section (a) (3) of Item 14 above.

(d) Financial Statement Schedule.

Not applicable.

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.

Date: February 16, 2000

THE LIMITED, INC.
(registrant)

By /s/ V. Ann Hailey

V. Ann Hailey
Executive Vice President and
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on January 29, 1999:

| Signature ----- | Title ----- |
|--|--|
| /s/ LESLIE H. WEXNER* ----- Leslie H. Wexner | Chairman of the Board of Directors, President and Chief Executive Officer |
| /s/ KENNETH B. GILMAN* ----- Kenneth B. Gilman | Director, Vice Chairman and Chief Administrative Officer |
| /s/ ABIGAIL S. WEXNER* ----- Abigail S. Wexner | Director |
| /s/ MARTIN TRUST* ----- Martin Trust | Director |
| /s/ EUGENE M. FREEDMAN* ----- Eugene M. Freedman | Director |
| /s/ E. GORDON GEE* ----- E. Gordon Gee | Director |
| /s/ DAVID T. KOLLAT* ----- David T. Kollat | Director |
| /s/ CLAUDINE MALONE* ----- Claudine Malone | Director |

/s/ LEONARD A. SCHLESINGER* Director

Leonard A. Schlesinger

/s/ DONALD B. SHACKELFORD* Director

Donald B. Shackelford

/s/ ALLAN R. TESSLER* Director

Allan R. Tessler

/s/ RAYMOND ZIMMERMAN* Director

Raymond Zimmerman

*The undersigned, by signing his name hereto, does hereby sign this report on behalf of each of the above-indicated directors of the registrant pursuant to powers of attorney executed by such directors.

By /s/ Kenneth B. Gilman

Kenneth B. Gilman
Attorney-in-fact

EXHIBIT INDEX

| Exhibit No. | Document |
|-------------|---|
| ----- | ----- |
| 3.2 | Restated Bylaws of the Company. |
| 10.4 | Indemnification Agreement. |
| 10.5 | Supplemental Schedule of Directors and Executive Officers Who are Parties to an Indemnification Agreement. |
| 11 | Statement re: Restated Computation of Per Share Earnings. |
| 12 | Statement re: Computation of Restated Ratio of Earnings to Fixed Charges. |
| 13 | Excerpts from the 1998 Annual Report to Shareholders including "Financial Summary", "Management's Discussion and Analysis", "Consolidated Financial Statements and Notes to Consolidated Financial Statements" and "Report of Independent Accountants" on pages 3 through 22. |
| 21 | Subsidiaries of the Registrant. |
| 23 | Consent of Independent Accountants. |
| 24 | Powers of Attorney. |
| 27 | Restated Financial Data Schedule. |
| 99 | Annual Report of The Limited, Inc. Savings and Retirement Plan. |

RESTATED BYLAWS
OF
THE LIMITED, INC.

Adopted April 2, 1984
and as Amended
September 17, 1987
and
February 23, 1990
and
April 1, 1999

ARTICLE I

STOCKHOLDERS

Section 1.01. Annual Meeting. The annual meeting of the stockholders of

this corporation, for the purpose of fixing or changing the number of directors of the corporation, electing directors and transacting such other business as may come before the meeting, shall be held on such date, at such time and at such place as may be designated by the Board of Directors.

Section 1.02. Special Meetings. Special meetings of the stockholders may

be called at any time by the chairman of the board, the vice chairman of the board, or in case of the death, absence or disability of the chairman of the board and the vice chairman of the board, the president, or in case of the president's death, absence, or disability, the vice-president, if any, authorized to exercise the authority of the president, or a majority of the Board of Directors acting with or without a meeting; provided, that if and to the extent that any special meeting of stockholders may be called by any other person or persons specified in any provision of the certificate of incorporation or any amendment thereto or any certificate filed under Section 151(g) of the Delaware General Corporation Law (or its successor statute as in effect from time to time), then such special meeting may also be called by the person or persons, in the manner, at the times and for the purposes so specified.

Section 1.03. Place of Meetings. Meetings of stockholders shall be held

at the principal office of the corporation in the State of Ohio, unless the Board of Directors decides that a meeting shall be held at some other place and causes the notice thereof to so state.

Section 1.04. Notices of Meetings. Unless waived, a written, printed, or

typewritten notice of each annual or special meeting, stating the date, hour and place and the purpose or purposes thereof shall be served upon or mailed to each stockholder of record entitled to vote or entitled to notice, not more than 60 days nor less than 10 days before any such meeting. If mailed, such notice shall be directed to a stockholder at his or her address as the same appears on the records of the corporation. If a meeting is adjourned to another time or place and such

adjournment is for 30 days or less and no new record date is fixed for the adjourned meeting, no further notice as to such adjourned meeting need be given if the time and place to which it is adjourned are fixed and announced at such meeting. In the event of a transfer of shares after notice has been given and prior to the holding of the meeting, it shall not be necessary to serve notice on the transferee. Such notice shall specify the place where the stockholders list will be open for examination prior to the meeting if required by Section 1.08 hereof.

Section 1.05. Fixing Date for Determination of Stockholders of Record. In

order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any other change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than 60 nor less than 10 days before the date of such meeting, nor more than 60 days prior to any other action. If the Board shall not fix such a record date, (i) the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held, and (ii) in any case involving the determination of stockholders for any purpose other than notice of or voting at a meeting of stockholders, the record date for determining stockholders for such purpose shall be the close of business on the day on which the Board of Directors shall adopt the resolution relating thereto. Determination of stockholders entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of such meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 1.06. Organization. At each meeting of the stockholders, the

chairman of the board, or in his absence, the vice chairman of the board, or in his absence, the president, or, in his absence, any vice-president, or, in the absence of the chairman of the board, the vice chairman of the board, the president and a vice-president, a chairman chosen by a majority in interest of the stockholders present in person or by proxy and entitled to vote, shall act as chairman, and the secretary of the corporation, or, if the secretary of the corporation not be present, the assistant secretary, or if the secretary and the assistant secretary not be present, any person whom the chairman of the meeting shall appoint, shall act as secretary of the meeting.

Section 1.07. Quorum. A stockholders' meeting duly called shall not be

organized for the transaction of business unless a quorum is present. Except as otherwise expressly provided by law, the certificate of incorporation, these bylaws, or any certificate filed under Section 151 (g) of the Delaware General Corporation Law (or its successor statute as in effect from time to time), (i) at any meeting called by the Board of Directors, the presence in person or by proxy of holders of record entitling them to exercise at least one-third of the voting power of the corporation shall constitute a quorum for such meeting and (ii) at any meeting called other than by the Board of Directors, the presence in person or by proxy of holders of record entitling them to exercise at least a majority of the voting power of the corporation shall constitute a quorum for such meeting. The stockholders present at a duly organized meeting can continue to do business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a

quorum. If a meeting cannot be organized because a quorum has not attended, a majority in voting interest of the stockholders present may adjourn, or, in the absence of a decision by the majority, any officer entitled to preside at such meeting may adjourn the meeting from time to time to such time (not more than 30 days after the previously adjourned meeting) and place as they (or he) may determine, without notice other than by announcement at the meeting of the time and place of the adjourned meeting. At any such adjourned meeting at which a quorum is present any business may be transacted which might have been transacted at the meeting as originally called.

Section 1.08. List of Stockholders. The secretary of the corporation

shall prepare and make a complete list of the stockholders of record as of the applicable record date entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least 10 days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 1.09. Order of Business and Procedure. The order of business at

all meetings of the stockholders and all matters relating to the manner of conducting the meeting shall be determined by the chairman of the meeting, whose decisions may be overruled only by majority vote of the stockholders present and entitled to vote at the meeting in person or by proxy. Meetings shall be conducted in a manner designed to accomplish the business of the meeting in a prompt and orderly fashion and to be fair and equitable to all stockholders, but it shall not be necessary to follow any manual of parliamentary procedure.

Section 1.10. Voting. (a) Each stockholder shall, at each meeting of the

stockholders, be entitled to vote in person or by proxy each share or fractional share of the stock of the corporation having voting rights on the matter in question and which shall have been held by him and registered in his name on the books of the corporation on the date fixed pursuant to Section 1.05 of these bylaws as the record date for the determination of stockholders entitled to notice of and to vote at such meeting.

(b) Shares of its own stock belonging to the corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors in such other corporation is held, directly or indirectly, by the corporation, shall neither be entitled to vote nor be counted for quorum purposes.

(c) Any such voting rights may be exercised by the stockholder entitled thereto or by his proxy appointed by an instrument in writing or in any other manner then permitted by law, subscribed by such stockholder or such stockholder's attorney thereunto authorized in any manner then permitted by law and delivered to the secretary of the meeting in sufficient time to permit the necessary examination and tabulation thereof before the vote is taken; provided,

however, that no proxy shall be valid after the expiration of three years after its date of execution, unless the stockholder executing it shall have specified therein the length of time it is to continue in force. At any meeting of the stockholders all matters, except as otherwise provided in the certificate of incorporation, in these bylaws or by law, shall be decided by the vote of a majority in voting interest of the stockholders present in person or by proxy and voting thereon, a quorum being present. The vote at any meeting of the stockholders on any question need not be by ballot, unless so directed by the chairman of the meeting or required by the certificate of incorporation. On a vote by ballot each ballot shall be signed by the stockholder voting, or by his proxy, if there be such proxy, and it shall state the number of shares voted.

Section 1.11. Inspectors. The Board of Directors, in advance of any

meeting of the stockholders, may appoint one or more inspectors to act at the meeting. If inspectors are not so appointed, the person presiding at the meeting may appoint one or more inspectors. If any person so appointed fails to appear or act, the vacancy may be filled by appointment made by the Board of Directors in advance of the meeting or at the meeting by the person presiding thereat. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector at the meeting with strict impartiality and according to the best of his ability. The inspectors so appointed shall determine the number of shares outstanding, the shares represented at the meeting, the existence of a quorum and the authenticity, validity and effect of proxies and shall receive votes, ballots, waivers, releases, or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots, waivers, releases, or consents, determine and announce the results and do such acts as are proper to conduct the election or vote with fairness to all stockholders. On request of the person presiding at the meeting, the inspectors shall make a report in writing of any challenge, question or matter determined by them and execute a certificate of any fact found by them. Any report or certificate made by them shall be prima facie evidence of the facts stated and of the vote as certified by them.

ARTICLE II

BOARD OF DIRECTORS

Section 2.01. General Powers of Board. The powers of the corporation

shall be exercised, its business and affairs conducted, and its property controlled by the Board of Directors, except as otherwise provided by the law of Delaware or in the certificate of incorporation.

Section 2.02. Number of Directors. The number of directors of the

corporation (exclusive of directors to be elected by the holders of any one or more series of Preferred Stock voting separately as a class or classes) shall not be less than 9 nor more than 13, the exact number of directors to be such number as may be set from time to time within the limits set forth above by resolution adopted by affirmative vote of a majority of the whole Board of Directors. As used in these Bylaws, the term "whole Board" means the total number of directors which the corporation would have if there were no vacancies.

Section 2.03. Election of Directors. At each meeting of the stockholders

for the election of directors, the persons receiving the greatest number of votes shall be the directors.

Section 2.04. Nominations.

2.04.1. Nominations for the election of directors may be made by the Board of Directors or by any stockholder entitled to vote for the election of directors.

2.04.2. Such nominations, if not made by the Board of Directors, shall be made by notice in writing, delivered or mailed by first class United States mail, postage prepaid, to the secretary of the corporation not less than 14 days nor more than 50 days prior to any meeting of the stockholders called for the election of directors; provided, however, that if less than 21 days' notice of the meeting is given to stockholders, such written notice shall be delivered or mailed, as prescribed, to the secretary of the corporation not later than the close of the seventh day following the day on which notice of the meeting was mailed to stockholders. Each such notice shall set forth (i) the name, age, business address and, if known, residence address of each nominee proposed in such notice, (ii) the principal occupation or employment of each such nominee, and (iii) the number of shares of stock of the corporation which are beneficially owned by each such nominee.

2.04.3. Notice of nominations which are proposed by the Board of Directors shall be given on behalf of the Board by the chairman of the meeting.

2.04.4. The chairman of the meeting may, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

Section 2.05. Resignations. Any director of the corporation may resign at

any time by giving written notice to the chairman of the board or the secretary of the corporation. Such resignation shall take effect at the time specified therein, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 2.06. Vacancies. In the event that any vacancy shall occur in the

Board of Directors, whether because of death, resignation, removal, newly created directorships resulting from any increase in the authorized number of directors, the failure of the stockholders to elect the whole authorized number of directors, or any other reason, such vacancy may be filled by the vote of a majority of the directors then in office, although less than a quorum. A director elected to fill a vacancy, other than a newly created directorship, shall hold office for the unexpired term of his predecessor.

Section 2.07. Removal of Directors. Directors may be removed only as

provided in the certificate of incorporation.

Section 2.08. Place of Meeting. etc. The Board of Directors may hold

any of its meetings at the principal office of the corporation or at such other place or places as the Board of Directors may from time to time designate. Directors may participate in any regular or special meeting of the Board of Directors by means of conference telephone or similar communications equipment pursuant to which all persons participating in the meeting of the Board of Directors can hear each other and such participation shall constitute presence in person at such meeting.

Section 2.09. Annual Meeting. A regular annual meeting of the Board of

Directors shall be held each year at the same place as and immediately after the annual meeting of stockholders, or at such other place and time as shall theretofore have been determined by the Board of Directors and notice thereof need not be given. At its regular annual meeting the Board of Directors shall organize itself and elect the officers of the corporation for the ensuing year, and may transact any other business.

Section 2.10. Regular Meetings. Regular meetings of the Board of

Directors may be held at such intervals and at such time as shall from time to time be determined by the Board of Directors. After such determination and notice thereof has been once given to each person then a member of the Board of Directors, regular meetings may be held at such intervals and time and place without further notice being given.

Section 2.11. Special Meetings. Special meetings of the Board of

Directors may be called at any time by the Board of Directors or by the chief executive officer or by a majority of directors then in office to be held on such day and at such time as shall be specified by the person or persons calling the meeting.

Section 2.12. Notice of Meetings. Notice of each special meeting or,

where required, each regular meeting, of the Board of Directors shall be given to each director either by being mailed on at least the third day prior to the date of the meeting or by being telegraphed or given personally or by telephone on at least 24 hours notice prior to the date of meeting. Such notice shall specify the place, date and hour of the meeting and, if it is for a special meeting, the purpose or purposes for which the meeting is called. At any meeting of the Board of Directors at which every director shall be present, even though without such notice, any business may be transacted. Any acts or proceedings taken at a meeting of the Board of Directors not validly called or constituted may be made valid and fully effective by ratification at a subsequent meeting which shall be legally and validly called or constituted. Notice of any regular meeting of the Board of Directors need not state the purpose of the meeting and, at any regular meeting duly held, any business may be transacted. If the notice of a special meeting shall state as a purpose of the meeting the transaction of any business that may come before the meeting, then at the meeting any business may be transacted, whether or not referred to in the notice thereof. A written waiver of notice of a special or regular meeting, signed by the person or persons entitled to such notice, whether before or after the time stated therein shall be deemed the equivalent of such notice, and attendance of a director at a meeting shall constitute a waiver of notice of such meeting except when the director attends the meeting and prior to or at the commencement of such meeting protests the lack of proper notice.

Section 2.13. Quorum and Voting. At all meetings of the Board of

Directors, the presence of a majority of the directors then in office shall constitute a quorum for the transaction of business. Except as otherwise required by law, the certificate of incorporation, or these bylaws, the vote of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board of Directors. At all meetings of the Board of Directors, each director shall have one vote.

Section 2.14. Committees. The Board of Directors may appoint an executive

committee and any other committee of the Board of Directors, to consist of one or more directors of the corporation, and may delegate to any such committee any of the authority of the Board of Directors, however conferred, other than the power or authority in reference to amending the certificate of incorporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the corporation's property and assets, recommending to the stockholders a dissolution of the corporation or a revocation of a dissolution, or amending the bylaws of the corporation. No committee shall have the power or authority to declare a dividend or to authorize the issuance of stock unless the resolution creating such committee expressly so provides. Each such committee shall serve at the pleasure of the Board of Directors, shall act only in the intervals between meetings of the Board of Directors and shall be subject to the control and direction of the Board of Directors. Any such committee may act by a majority of its members at a meeting or by a writing or writings signed by all of its members. Any such committee shall keep written minutes of its meetings and report the same to the Board of Directors at the next regular meeting of the Board of Directors.

Section 2.15. Compensation. The Board of Directors may, by resolution

passed by a majority of those in office, fix the compensation of directors for service in any capacity and may fix fees for attendance at meetings and may authorize the corporation to pay the traveling and other expenses of directors incident to their attendance at meetings, or may delegate such authority to a committee of the board.

Section 2.16. Action by Consent. Any action required or permitted to be

taken at any meeting of the board or of any committee thereof may be taken without a meeting if a written consent thereto is signed by all members of the board or of such committee, as the case may be, and such written consent is filed with the minutes of proceedings of the board or such committee.

ARTICLE III

OFFICERS

Section 3.01. General Provisions. The officers of the corporation shall

be the chairman of the board (who shall be a director), a vice chairman of the board (who shall be a director), a president, such number of vice-presidents as the board may from time to time determine, a secretary and a treasurer. Any person may hold any two or more offices and perform the duties

thereof, except the offices of chairman of the board and vice chairman of the board, or the offices of president and vice-president.

Section 3.02. Election, Terms of Office, and Qualification. The officers

of the corporation named in Section 3.01 of this Article III shall be elected by the Board of Directors for an indeterminate term and shall hold office during the pleasure of the Board of Directors.

Section 3.03. Additional Officers, Agents, etc. In addition to the

officers mentioned in Section 3.01 of this Article III, the corporation may have such other officers or agents as the Board of Directors may deem necessary and may appoint, each of whom or each member of which shall hold office for such period, have such authority and perform such duties as may be provided in these bylaws as the Board of Directors may from time to time determine. The Board of Directors may delegate to any officer the power to appoint any subordinate officers or agents. In the absence of any officer of the corporation, or for any other reason the Board of Directors may deem sufficient, the Board of Directors may delegate, for the time being, the powers and duties, or any of them, of such officer to any other officer, or to any director.

Section 3.04. Removal. Any officer of the corporation may be removed,

either with or without cause, at any time, by resolution adopted by the Board of Directors at any meeting, the notice (or waivers of notice) of which shall have specified that such removal action was to be considered. Any officer appointed not by the Board of Directors but by an officer or committee to which the Board of Directors shall have delegated the power of appointment may be removed, with or without cause, by the committee or superior officer (including successors) who made the appointment, or by any committee or officer upon whom such power of removal may be conferred by the Board of Directors.

Section 3.05. Resignations. Any officer may resign at any time by giving

written notice to the Board of Directors, or to the chairman of the board, the vice chairman of the board, the president, or the secretary of the corporation. Any such resignation shall take effect at the time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 3.06. Vacancies. A vacancy in any office because of death,

resignation, removal, disqualification, or otherwise, shall be filled in the manner prescribed in these bylaws for regular appointments or elections to such office.

ARTICLE IV

DUTIES OF THE OFFICERS

Section 4.01. The Chairman of the Board. The chairman of the board shall

be chief executive officer of the corporation and shall have general supervision over the property, business and affairs of the corporation and over its several officers, subject, however, to the control of the Board of Directors. He shall, if present, preside at all meetings of the stockholders and of the Board of Directors. He may sign, with the secretary, treasurer or any other proper

officer of the corporation thereunto authorized by the Board of Directors, certificates for shares in the corporation. He may sign, execute and deliver in the name of the corporation all deeds, mortgages, bonds, leases, contracts, or other instruments either when specially authorized by the Board of Directors or when required or deemed necessary or advisable by him in the ordinary conduct of the corporation's normal business, except in cases where the signing and execution thereof shall be expressly delegated by these bylaws to some other officer or agent of the corporation or shall be required by law or otherwise to be signed or executed by some other officer or agent, and he may cause the seal of the corporation, if any, to be affixed to any instrument requiring the same.

Section 4.02. Vice Chairman of the Board. The vice chairman of the board

shall perform such duties as are conferred upon him by these bylaws or as may from time to time be assigned to him by the chairman of the board or the Board of Directors. The authority of the vice chairman of the board to sign in the name of the corporation all certificates for shares and deeds, mortgages, leases, bonds, contracts, notes and other instruments, shall be coordinate with like authority of the chairman of the board. In the absence or disability of the chairman of the board, the vice chairman of the board shall perform all the duties of the chairman of the board, and when so acting, shall have all the powers of the chairman of the board.

Section 4.03. The President. The president shall perform such duties as

are conferred upon him by these bylaws or as may from time to time be assigned to him by the chairman of the board or the vice chairman of the board or the Board of Directors.

Section 4.04. Vice-Presidents. The vice-presidents shall perform such

duties as are conferred upon them by these bylaws or as may from time to time be assigned to them by the Board of Directors, the chairman of the board, the vice chairman of the board or the president. At the request of the chairman of the board, in the absence or disability of the president, the vice-president, designated by the chairman of the board shall perform all the duties of the president, and when so acting, shall have all of the powers of the president.

Section 4.05. The Treasurer. The treasurer shall be the custodian of all

funds and securities of the corporation. Whenever so directed by the Board of Directors, he shall render a statement of the cash and other accounts of the corporation, and he shall cause to be entered regularly in the books and records of the corporation to be kept for such purpose full and accurate accounts of the corporation's receipts and disbursements. He shall have such other powers and shall perform such other duties as may from time to time be assigned to him by the Board of Directors, the chairman of the board or the vice chairman of the board.

Section 4.06. The Secretary. The secretary shall record and keep the

minutes of all meetings of the stockholders and the Board of Directors in a book to be kept for that purpose. He shall be the custodian of, and shall make or cause to be made the proper entries in, the minute book of the corporation and such other books and records as the Board of Directors may direct. He shall be the custodian of the seal of the corporation, if any, and shall affix such seal to such contracts, instruments and other documents as the Board of Directors or any committee thereof may direct. He shall have such other powers and shall perform such other duties as may from

time to time be assigned to him by the Board of Directors, the chairman of the board or the vice chairman of the board.

ARTICLE V

INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 5.01. Indemnification. The corporation shall indemnify any person

who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he, his testator, or intestate is or was a director or officer of the corporation, or is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust or other enterprise, or as a member of any committee or similar body against all expenses (including attorneys' fees), judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding (including appeals) or the defense or settlement thereof or any claim, issue, or matter therein, to the fullest extent permitted by the laws of Delaware as they may exist from time to time.

Section 5.02. Insurance. The proper officers of the corporation, without

further authorization by the Board of Directors, may in their discretion purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent for another corporation, partnership, joint venture, trust or other enterprise, against any liability.

Section 5.03. ERISA. To assure indemnification under this Article of all

such persons who are or were "fiduciaries" of an employee benefit plan governed by the Act of Congress entitled "Employee Retirement Income Security Act of 1974", as amended from time to time, the provisions of this Article V shall, for the purposes hereof, be interpreted as follows: an "other enterprise" shall be deemed to include an employee benefit plan; the corporation shall be deemed to have requested a person to serve as an employee of an employee benefit plan where the performance by such person of his duties to the corporation also imposes duties on, or otherwise involves services by, such person to the plan or participants or beneficiaries of the plan; excise taxes assessed on a person with respect to an employee benefit plan pursuant to said Act of Congress shall be deemed "fines"; and action taken or omitted by a person with respect to an employee benefit plan in the performance of such person's duties for a purpose reasonably believed by such person to be in the interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose which is not opposed to the best interests of the corporation.

Section 5.04. Contractual Nature. The foregoing provisions of this

Article V shall be deemed to be a contract between the corporation and each director and officer who serves in such capacity at any time while this Section is in effect, and any repeal or modification thereof shall not affect any rights or obligations then existing with respect to any state of facts then or theretofore existing or any action, suit or proceeding theretofore or thereafter brought based in whole or in part upon any such state of facts.

Section 5.05. Construction. For the purposes of this Article V,

references to "the corporation" include in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers and employees or agents, so that any person who is or was a director or officer of such constituent corporation or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise or as a member of any committee or similar body shall stand in the same position under the provisions of this Article with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

Section 5.06. Non-Exclusive. The corporation may indemnify, or agree to

indemnify, any person against any liabilities and expenses and pay any expenses, including attorneys' fees, in advance of final disposition of any action, suit or proceeding, under any circumstances, if such indemnification and/or payment is approved by the vote of the stockholders or of the disinterested directors, or is, in the opinion of independent legal counsel selected by the Board of Directors, to be made on behalf of an indemnitee who acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the corporation.

ARTICLE VI

DEPOSITORIES, CONTRACTS AND OTHER INSTRUMENTS

Section 6.01 Depositories. The chairman of the board, the vice

chairman of the board, the president, the treasurer, and any vice-president of the corporation whom the Board of Directors authorizes to designate depositories for the funds of the corporation are each authorized to designate depositories for the funds of the corporation deposited in its name and the signatories and conditions with respect thereto in each case, and from time to time, to change such depositories, signatories and conditions, with the same force and effect as if each such depository, the signatories and conditions with respect thereto and changes therein had been specifically designated or authorized by the Board of Directors; and each depository designated by the Board of Directors or by the chairman of the board, the vice chairman of the board, the president, the treasurer, or any such vice-president of the corporation, shall be entitled to rely upon the certificate of the secretary or any assistant secretary of the corporation setting forth the fact of such designation and of the appointment of the officers of the corporation or of both or of other persons who are to be signatories with respect to the withdrawal of funds deposited with such depository, or from time to time the fact of any change in any depository or in the signatories with respect thereto.

Section 6.02. Execution of Instruments Generally. In addition to the

powers conferred upon the chairman of the board in Section 4.01 and the vice chairman of the board in Section 4.02 and except as otherwise provided in Section 6.01 of this Article VI, all contracts and other instruments entered into in the ordinary course of business requiring execution by the corporation may be executed and delivered by the president, the treasurer, or any vice-president

and authority to sign any such contracts or instruments, which may be general or confined to specific instances, may be conferred by the Board of Directors upon any other person or persons. Any person having authority to sign on behalf of the corporation may delegate, from time to time, by instrument in writing, all or any part of such authority to any person or persons if authorized so to do by the Board of Directors.

ARTICLE VII

SHARES AND THEIR TRANSFER

Section 7.01. Certificate for Shares. Every owner of one or more shares

in the corporation shall be entitled to a certificate, which shall be in such form as the Board of Directors shall prescribe, certifying the number and class of shares in the corporation owned by him. When such certificate is countersigned by an incorporated transfer agent or registrar, the signature of any of said officers may be facsimile, engraved, stamped or printed. The certificates for the respective classes of such shares shall be numbered in the order in which they shall be issued and shall be signed in the name of the corporation by the chairman of the board or the vice chairman of the board, or the president or a vice-president, and by the secretary or an assistant secretary or the treasurer or an assistant treasurer. A record shall be kept of the name of the person, firm, or corporation owning the shares represented by each such certificate and the number of shares represented thereby, the date thereof, and in case of cancellation, the date of cancellation. Every certificate surrendered to the corporation for exchange or transfer shall be cancelled and no new certificate or certificates shall be issued in exchange for any existing certificates until such existing certificates shall have been so cancelled.

Section 7.02. Lost, Destroyed and Mutilated Certificates. If any

certificates for shares in this corporation become worn, defaced, or mutilated but are still substantially intact and recognizable, the directors, upon production and surrender thereof, shall order the same cancelled and shall issue a new certificate in lieu of same. The holder of any shares in the corporation shall immediately notify the corporation if a certificate therefor shall be lost, destroyed, or mutilated beyond recognition, and the corporation may issue a new certificate in the place of any certificate theretofore issued by it which is alleged to have been lost or destroyed or mutilated beyond recognition, and the Board of Directors may, in its discretion, require the owner of the certificate which has been lost, destroyed, or mutilated beyond recognition, or his legal representative, to give the corporation a bond in such sum and with such surety or sureties as it may direct, not exceeding double the value of the stock, to indemnify the corporation against any claim that may be made against it on account of the alleged loss, destruction, or mutilation of any such certificate. The Board of Directors may, however, in its discretion, refuse to issue any such new certificate except pursuant to legal proceedings, under the laws of the State of Delaware in such case made and provided.

Section 7.03. Transfers of Shares. Transfers of shares in the corporation

shall be made only on the books of the corporation by the registered holder thereof, his legal guardian, executor, or administrator, or by his attorney thereunto authorized by power of attorney duly executed and filed with the secretary of the corporation or with a transfer agent appointed by the

Board of Directors, and on surrender of the certificate or certificates for such shares properly endorsed or accompanied by properly executed stock powers and evidence of the payment of all taxes imposed upon such transfer. The person in whose name shares stand on the books of the corporation shall, to the full extent permitted by law, be deemed the owner thereof for all purposes as regards the corporation.

Section 7.04. Regulations. The Board of Directors may make such rules and

regulations as it may deem expedient, not inconsistent with these bylaws concerning the issue, transfer, and registration of certificates for shares in the corporation. It may appoint one or more transfer agents or one or more registrars, or both, and may require all certificates for shares to bear the signature of either or both.

ARTICLE VIII

SEAL

The Board of Directors may provide a corporate seal, which shall be circular and contain the name of the corporation engraved around the margin and the words "corporate seal", the year of its organization, and the word "Delaware".

INDEMNIFICATION AGREEMENT

THIS AGREEMENT is made and entered into as of the _____ day of _____, 19__ by and between THE LIMITED, INC., a Delaware corporation (the "Company"), and the undersigned (the "Indemnitee").

RECITALS

WHEREAS, it is essential to the Company that it attract and retain as directors and officers the most capable persons available; and

WHEREAS, Indemnitee is a director or officer of the Company; and

WHEREAS, both the Company and Indemnitee recognize the increased risk of litigation and other claims being asserted against directors and officers of public companies in the current environment; and

WHEREAS, in recognition of Indemnitee's need for protection against personal liability in order to enhance Indemnitee's continued service to the Company in an effective manner, and in order to induce Indemnitee to continue to provide services to the Company as a director or officer thereof, the Company wishes to provide in this Agreement for the indemnification of Indemnitee to the fullest extent permitted by law and as set forth in this Agreement;

NOW THEREFORE, in consideration of the foregoing, the covenants contained herein and Indemnitee's continued service to the Company, the Company and Indemnitee, intending to be legally bound, hereby agree as follows:

Section 1. Definitions. The following terms, as used herein, shall have the following respective meanings:

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings relative to the foregoing.

"Change in control" shall be deemed to have occurred if, other than as approved by a majority of the Board of Directors of the Company in office immediately prior to such event (a) any person, other than (i) a trustee or other fiduciary holding Voting Securities under an employee benefit plan of the Company, (ii) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company or (iii) The Limited, Inc. ("The Limited"), any subsidiary of The Limited or any successor to The Limited or any subsidiary thereof or (iv) Leslie H. Wexner, his heirs, executors or administrators, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended) of Voting Securities representing 20% or more of the total voting power represented by the Company's then outstanding Voting Securities, or (b) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors of the Company and any new director whose election by the Board of Directors or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof, or (c) the stockholders of the Company approve (i) a merger or consolidation of the Company with any other corporation, other than (A) a merger or consolidation which would result in the Voting Securities outstanding immediately prior thereto continuing to

represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity) at least 80% of the total voting power represented by the Voting Securities of the Company or such surviving entity outstanding immediately after such merger or consolidation and (B) a merger or consolidation with The Limited, any subsidiary of The Limited or any successor to The Limited or any subsidiary thereof, or (ii) a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company (in one transaction or a series of transactions) of all or substantially all of the Company's assets.

"Claim" means (a) any threatened, pending or completed action, suit, proceeding or arbitration or other alternative dispute resolution mechanism, or (b) any inquiry, hearing or investigation, whether conducted by the Company or any other Person, that Indemnitee in good faith believes might lead to the institution of any such action, suit, proceeding or arbitration or other alternative dispute resolution mechanism, in each case whether civil, criminal, administrative or other (whether or not the claims or allegations therein are groundless, false or fraudulent) and includes, without limitation, those brought by or in the name of the Company or any director or officer of the Company.

"Company Agent" means serving as a director, officer, partner, employee, agent, trustee or fiduciary of the Company, any Subsidiary or any Other Enterprise.

"Covered Event" means any event or occurrence on or after the date of this Agreement related to the fact that Indemnitee is or was a Company Agent or related to anything done or not done by Indemnitee in any such capacity, and includes, without limitation, any such event or occurrence (a) arising from performance of the responsibilities, obligations or duties imposed by ERISA or any similar applicable provisions of state or common law, or (b) arising from any merger, consolidation or other business combination involving the Company, any Subsidiary or any Other Enterprise, including without limitation any sale or other transfer of all or substantially all of the business or assets of the Company, any Subsidiary or any Other Enterprise.

"D & O Insurance" means the directors' and officers' liability insurance of the Company in effect on the date of this Agreement, and any replacement or substitute policies issued by one or more reputable insurers providing in all respects coverage at least comparable to and in the same amount as that provided by the policy in effect on the date of this Agreement.

"Determination" means a determination made by (a) a majority vote of a quorum of Disinterested Directors; (b) Independent Legal Counsel, in a written opinion addressed to the Company and Indemnitee; (c) the stockholders of the Company; or (d) a decision by a court of competent jurisdiction not subject to further appeal.

"Disinterested Director" shall be a director of the Company who is not or was not a party to the Claim giving rise to the subject matter of a Determination.

"Expenses" includes attorneys' fees and all other costs, travel expenses, fees of experts, transcript costs, filing fees, witness fees, telephone charges, postage, copying costs, delivery services fees and other expenses and obligations of any nature whatsoever paid or incurred in connection with investigating, prosecuting or defending, being a witness in or participating in (including on appeal), or preparing to prosecute or defend, be a witness in or participate in any Claim, for which Indemnitee is or becomes legally obligated to pay.

"Independent Legal Counsel" shall mean a law firm or a member of a law firm that (a) neither is nor in the past five years has been retained to represent in any material matter the Company, any Subsidiary, Indemnitee or any other party to the Claim, (b) under applicable standards of professional conduct then prevailing would not have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights to

indemnification under this Agreement and (c) is reasonably acceptable to the Company and Indemnitee.

"Loss" means any amount which Indemnitee is legally obligated to pay as a result of any Claim, including, without limitation (a) all judgments, penalties and fines, and amounts paid or to be paid in settlement, (b) all interest, assessments and other charges paid or payable in connection therewith and (c) any federal, state, local or foreign taxes imposed (net of the value to Indemnitee of any tax benefits resulting from tax deductions or otherwise) as a result of the actual or deemed receipt of any payments under this Agreement, including the creation of the Trust.

"Other Enterprise" means any corporation (other than the Company or any Subsidiary), partnership, joint venture, association, employee benefit plan, trust or other enterprise or organization for which Indemnitee acts as a Company Agent at the request of the Company or any Subsidiary. Indemnitee shall be deemed to be acting as a Company Agent of an Other Enterprise at the request of the Company with respect to any Other Enterprise in which the Company or any Subsidiary has an investment as to which Indemnitee shall act as a Company Agent from time to time. Indemnitee shall be deemed to be acting as a Company Agent of an Other Enterprise at the request of the Company, if Indemnitee acts as a Company Agent of an Other Enterprise at the written or oral request of the Board of Directors of the Company or of any Subsidiary by which the Indemnitee is employed from time to time, at the written or oral request of an Executive Officer of the Company or of any Subsidiary by which the Indemnitee is employed from time to time or if Indemnitee acts as a Company Agent of an Other Enterprise by reason of being requested, elected, hired or retained to succeed or assume the responsibilities of a Person who previously acted as a Company Agent of an Other Enterprise at the request of the Company.

"Parent" shall have the meaning set forth in the regulations of the Securities and Exchange Commission under the Securities Act of 1933, as amended; provided the term "Parent" shall not include the board of directors of a corporation in its capacity as a board of directors, and provided further that if the other party to any transaction referred to in Section 12.1.2 has no Parent as so defined above, "Parent" shall mean such other party.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government (or any subdivision, department, commission or agency thereof), and includes without limitation any "person", as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended.

"Potential Change in Control" shall be deemed to have occurred if (a) the Company enters into an agreement or arrangement the consummation of which would result in the occurrence of a Change in Control, (b) any Person (including the Company) publicly announces an intention to take or to consider taking actions which if consummated would constitute a Change in Control or (c) the Board of Directors of the Company adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control has occurred.

"Subsidiary" means any corporation of which more than 50 % of the outstanding stock having ordinary voting power to elect a majority of the board of directors of such corporation is now or hereafter owned, directly or indirectly, by the Company.

"Trust" has the meaning set forth in Section 9.2.

"Voting Securities" means any securities of the Company which vote generally in the election of directors.

Section 2. Indemnification.

2.1. General Indemnity Obligation.

2.1.1. Subject to the remaining provisions of this Agreement, the Company hereby indemnifies and holds Indemnitee harmless for any Losses or Expenses arising from any Claims relating to (or arising in whole or in part out of) any Covered Event, including, without limitation, any Claim the basis of which is any actual or alleged breach of duty, neglect, error, misstatement, misleading statement, omission or other act done or attempted by Indemnitee in the capacity as a Company Agent, whether or not Indemnitee is acting or serving in such capacity at the date of this Agreement, at the time liability is incurred or at the time the Claim is initiated.

2.1.2. The obligations of the Company under this Agreement shall apply to the fullest extent authorized or permitted by the provisions of applicable law, as presently in effect or as changed after the date of this Agreement, whether by statute or judicial decision (but, in the case of any subsequent change, only to the extent that such change permits the Company to provide broader indemnification than permitted prior to giving effect thereto).

2.1.3. Indemnitee shall not be entitled to indemnification pursuant to this Agreement in connection with any Claim initiated by Indemnitee against the Company or any director or officer of the Company, unless the Company has joined in or consented to the initiation of such Claim; provided, the provisions of this Section 2.1.3 shall not apply following a Change in Control to Claims seeking enforcement of this Agreement, the Certificate of Incorporation or Bylaws of the Company or any other agreement now or hereafter in effect relating to indemnification for Covered Events.

2.1.4. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the Losses or Expenses paid with respect to a Claim but not, however, for the total amount thereof, the Company shall nevertheless indemnify and hold Indemnitee harmless against the portion thereof to which Indemnitee is entitled.

2.1.5. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee has been successful on the merits or otherwise in defense of any or all Claims relating to (or arising in whole or in part out of) a Covered Event or in defense of any issue or matter therein, including dismissal without prejudice, the Company shall indemnify and hold Indemnitee harmless against all expenses incurred in connection therewith.

2.2. Indemnification for Serving as Witness and Certain Other Claims.

Notwithstanding any other provision of this Agreement, the Company hereby indemnifies and holds Indemnitee harmless for all Expenses in connection with (a) the preparation to serve or service as a witness in any Claim in which Indemnitee is not a party, if such actual or proposed service as a witness arose by reason of Indemnitee having served as a Company Agent on or the date of this Agreement and (b) any Claim initiated by Indemnitee on or after the date of this Agreement (i) for recovery under any directors' and officers' liability insurance maintained by the Company or (ii) following a Change in Control, for enforcement of the indemnification obligations of the Company under this Agreement, the Certificate of Incorporation or Bylaws of the Company or any other agreement now or hereafter in effect relating to indemnification for Covered Events, regardless of whether Indemnitee ultimately is determined to be entitled to such insurance recovery or indemnification, as the case may be.

Section 3. Limitations on Indemnification.

3.1. Coverage Limitations. No indemnification is available pursuant

to the provisions of this Agreement:

3.1.1. If such indemnification is not lawful;

3.1.2. If Indemnitee's conduct giving rise to the Claim with respect to which indemnification is requested was knowingly fraudulent, a knowing violation of law, deliberately dishonest or in bad faith or constituted willful misconduct;

3.1.3. In respect of any Claim based upon or attributable to Indemnitee gaining in fact any personal profit or advantage to which Indemnitee was not legally entitled;

3.1.4. In respect of any Claim for an accounting of profits made from the purchase or sale by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Securities Exchange Act of 1934, as amended; or

3.1.5. In respect of any Claim based upon any violation of Section 174 of the Delaware General Corporation Law, as amended.

3.2. No Duplication of Payments. The Company shall not be liable

under this Agreement to make any payment otherwise due and payable to the extent Indemnitee has otherwise actually received payment (whether under the Certificate of Incorporation or the Bylaws of the Company, the D & O Insurance or otherwise) of any amounts otherwise due and payable under this Agreement.

Section 4. Payments and Determinations.

4.1. Advancement and Reimbursement of Expenses. If requested by

Indemnitee, the Company shall advance to Indemnitee, no later than two business days following any such request, any and all Expenses for which indemnification is available under Section 2. Upon any Determination that Indemnitee is not permitted to be indemnified for any expenses so advanced, Indemnitee hereby agrees to reimburse the Company (or, as appropriate, any Trust established pursuant to Section 9.2) for all such amounts previously paid. Such obligation of reimbursement shall be unsecured and no interest shall be charged thereon.

4.2. Payment and Determination Procedures.

4.2.1. To obtain indemnification under this Agreement, Indemnitee shall submit to the Company a written request, together with such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification. The Secretary of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board of Directors in writing that Indemnitee has requested indemnification.

4.2.2. Upon written request by Indemnitee for indemnification pursuant to Section 4.2.1, a Determination with respect to Indemnitee's entitlement thereto shall be made in the specific case (a) if a Change in Control shall have occurred, as provided in Section 9.1; and (b) if a Change in Control shall not have occurred, by (i) the Board of Directors by a majority vote of a quorum of Disinterested Directors, (ii) Independent Legal Counsel, if either (A) a quorum of Disinterested Directors is not obtainable or (B) a majority vote of a quorum of Disinterested Directors otherwise so directs or (iii) the stockholders of the Company (if submitted by the Board of Directors). If a Determination is made that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within 10 days after such Determination.

4.2.3. If no Determination is made within 60 days after receipt by the Company of a request for indemnification by Indemnitee pursuant to Section 4.2.1, a Determination shall be deemed to have been made that Indemnitee is entitled to the requested indemnification (and the Company shall pay the related Losses and Expenses no later than 10 days after the expiration of such 60-day period), except where such indemnification is not lawful; provided, however, that (a) such 60-day period may be extended for a reasonable time, not to exceed an additional 30 days, if

the Person or Persons making the Determination in good faith require such additional time for obtaining or evaluating the documentation and information relating thereto; and (b) the foregoing provisions of this Section 4.2.3 shall not apply (i) if the Determination is to be made by the stockholders of the Company and if (A) within 15 days after receipt by the Company of the request by Indemnitee pursuant to Section 4.2.1 the Board of Directors has resolved to submit such Determination to the stockholders at an annual meeting of the stockholders to be held within 75 days after such receipt, and such Determination is made at such annual meeting, or (B) a special meeting of stockholders is called within 15 days after such receipt for the purpose of making such Determination, such meeting is held for such purpose within 60 days after having been so called and such Determination is made at such special meeting, or (ii) if the Determination is to be made by Independent Legal Counsel.

Section 5. D & O Insurance.

5.1. Current Policies. The Company hereby represents and warrants to -----
Indemnitee that the D & O Insurance is in full force and effect.

5.2. Continued Coverage. The Company shall maintain the D & O -----
Insurance for so long as this Agreement remains in effect. The Company shall cause the D & O Insurance to cover Indemnitee, in accordance with its terms and at all times such insurance is in effect, to the maximum extent of the coverage provided thereby for any director or officer of the Company.

5.3. Indemnification. In the event of any reduction in, or -----
cancellation of, the D & O Insurance (whether voluntary or involuntary on behalf of the Company), the Company shall, and hereby agrees to, indemnify and hold Indemnitee harmless against any Losses or Expenses which Indemnitee is or becomes obligated to pay as a result of the Company's failure to maintain the D & O Insurance in effect in accordance with the provisions of Section 5.2, to the fullest extent permitted by applicable law, notwithstanding any provision of the Certificate of Incorporation or the Bylaws of the Company, or any other agreement now or hereafter in effect relating to indemnification for Covered Events. The indemnification available under this Section 5.3 is in addition to all other obligations of indemnification of the Company under this Agreement and shall be the only remedy of Indemnitee for a breach by the Company of its obligations set forth in Section 5.2.

Section 6. Subrogation. In the event of any payment under this Agreement to or on behalf of Indemnitee, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee against any Person other than the Company or Indemnitee in respect of the Claim giving rise to such payment. Indemnitee shall execute all papers reasonably required and shall do everything reasonably necessary to secure such rights, including the execution of such documents reasonably necessary to enable the Company effectively to bring suit to enforce such rights.

Section 7. Notifications and Defense of Claims.

7.1. Notice by Indemnitee. Indemnitee shall give notice in writing to -----
the Company as soon as practicable after Indemnitee becomes aware of any Claim with respect to which indemnification will or could be sought under this Agreement; provided the failure of Indemnitee to give such notice, or any delay in giving such notice, shall not relieve the Company of its obligations under this Agreement except to the extent the Company is actually prejudiced by any such failure or delay.

7.2. Insurance. The Company shall give prompt notice of the -----
commencement of any Claim relating to Covered Events to the insurers on the D & O Insurance, if any, in accordance with the procedures set forth in the respective policies in favor of Indemnitee. The Company shall thereafter take all necessary action to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such Claims in accordance with the terms of such policies.

7.3. Defense.

7.3.1. In the event any Claim relating to Covered Events is by or in the right of the Company, Indemnitee may, at the option of Indemnitee, either control the defense therefor or accept the defense provided under the D & O Insurance; provided, however, that Indemnitee may not control the defense if such decision would jeopardize the coverage provided by the D & O Insurance, if any, to the Company or the other directors and officers covered thereby.

7.3.2. In the event any Claim relating to Covered Events is other than by or in the right of the Company, Indemnitee may, at the option of Indemnitee, either control the defense thereof, require the Company to defend or accept the defense provided under the D & O Insurance; provided, however, that Indemnitee may not control the defense or require the Company to defend if such decision would jeopardize the coverage provided by the D & O Insurance to the Company or the other directors and officers covered thereby. In the event that Indemnitee requires the Company to so defend, or in the event that Indemnitee proceeds under the D & O Insurance but Indemnitee determines that such insurers under the D & O Insurance are unable or unwilling to adequately defend Indemnitee against any such Claim, the Company shall promptly undertake to defend any such Claim, at the Company's sole cost and expense, utilizing counsel of Indemnitee's choice who has been approved by the Company. If appropriate, the Company shall have the right to participate in the defense of any such Claim.

7.3.3. In the event the Company shall fail, as required by any election by Indemnitee pursuant to Section 7.3.2, timely to defend Indemnitee against any such Claim, Indemnitee shall have the right to do so, including without limitation, the right (notwithstanding Section 7.3.4) to make any settlement thereof, and to recover from the Company, to the extent otherwise permitted by this Agreement, all Expenses and Losses paid as a result thereof.

7.3.4. The Company shall have no obligation under this Agreement with respect to any amounts paid or to be paid in settlement of any Claim without the express prior written consent of the Company to any related settlement. In no event shall the Company authorize any settlement imposing any liability or other obligations on Indemnitee without the express prior written consent of Indemnitee. Neither the Company nor Indemnitee shall unreasonably withhold consent to any proposed settlement.

Section 8. Determinations and Related Matters.

8.1. Presumptions.

8.1.1. If a Change in Control shall have occurred, Indemnitee shall be entitled to a rebuttable presumption that Indemnitee is entitled to indemnification under this Agreement and the Company shall have the burden of proof in rebutting such presumption.

8.1.2. The termination of any Claim by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere or its equivalent, shall not adversely affect either the right of Indemnitee to indemnification under this Agreement or the presumptions to which Indemnitee is otherwise entitled pursuant to the provisions of this Agreement nor create a presumption that Indemnitee did not meet any particular standard of conduct or have a particular belief or that a court has determined that indemnification is not permitted by applicable law.

8.2. Appeals; Enforcement.

8.2.1. In the event that (a) a Determination is made that Indemnitee shall not be entitled to indemnification under this Agreement, (b) any Determination to be made by Independent

Legal Counsel is not made within 90 days of receipt by the Company of a request for indemnification pursuant to Section 4.2.1 or (c) the Company fails to otherwise perform any of its obligations under this Agreement (including, without limitation, its obligation to make payments to Indemnitee following any Determination made or deemed to have been made that such payments are appropriate), Indemnitee shall have the right to commence a Claim in any court of competent jurisdiction, as appropriate, to seek a Determination by the court, to challenge or appeal any Determination which has been made, or to otherwise enforce this Agreement. If a Change of Control shall have occurred, Indemnitee shall have the option to have any such Claim conducted by a single arbitrator pursuant to the rules of the American Arbitration Association. Any such judicial proceeding challenging or appealing any Determination shall be deemed to be conducted de novo and without prejudice by reason of any prior Determination to the effect that Indemnitee is not entitled to indemnification under this Agreement. Any such Claim shall be at the sole expense of Indemnitee except as provided in Section 9.3.

8.2.2. If a Determination shall have been made or deemed to have been made pursuant to this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such Determination in any judicial proceeding or arbitration commenced pursuant to this Section 8.2, except if such indemnification is unlawful.

8.2.3. The Company shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 8.2 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement. The Company hereby consents to service of process and to appear in any such judicial or arbitration proceedings and shall not oppose Indemnitee's right to commence any such proceedings.

8.3. Procedures. Indemnitee shall cooperate with the Company and with

any Person making any Determination with respect to any Claim for which a claim for indemnification under this Agreement has been made, as the Company may reasonably require. Indemnitee shall provide to the Company or the Person making any Determination, upon reasonable advance request, any documentation or information reasonably available to Indemnitee and necessary to (a) the Company with respect to any such Claim or (b) the Person making any Determination with respect thereto.

Section 9. Change in Control Procedures.

9.1. Determinations. If there is a Change in Control, any

Determination to be made under Section 4 shall be made by Independent Legal Counsel selected by Indemnitee and approved by the Company (which approval shall not be unreasonably withheld). The Company shall pay the reasonable fees of the Independent Legal Counsel and indemnify fully such Independent Legal Counsel against any and all expenses (including attorneys' fees), claims, liabilities and damages arising out of or relating to this Agreement or the engagement of Independent Legal Counsel pursuant hereto.

9.2. Establishment of Trust. Following the occurrence of any

Potential Change in Control, the Company, upon receipt of a written request from Indemnitee, shall create a Trust (the "Trust") for the benefit of Indemnitee, the trustee of which shall be a bank or similar financial institution with trust powers chosen by Indemnitee. From time to time, upon the written request of Indemnitee, the Company shall fund the Trust in amounts sufficient to satisfy any and all Losses and Expenses reasonably anticipated at the time of each such request to be incurred by Indemnitee for which indemnification may be available under this Agreement. The amount or amounts to be deposited in the Trust pursuant to the foregoing funding obligation shall be determined by mutual agreement of Indemnitee and the Company or, if the Company and Indemnitee are unable to reach such an agreement or, in any event, a Change in Control has occurred, by Independent Legal Counsel (selected pursuant to Section 9.1). The terms of the Trust shall provide that, except upon

the prior written consent of Indemnitee and the Company, (a) the Trust shall not be revoked or the principal thereof invaded, other than to make payments to unsatisfied judgment creditors of the Company, (b) the Trust shall continue to be funded by the Company in accordance with the funding obligations set forth in this Section, (c) the Trustee shall promptly pay or advance to Indemnitee any amounts to which Indemnitee shall be entitled pursuant to this Agreement, and (d) all unexpended funds in the Trust shall revert to the Company upon a Determination by Independent Legal Counsel (selected pursuant to Section 9.1) or a court of competent jurisdiction that Indemnitee has been fully indemnified under the terms of this Agreement. All income earned on the assets held in the trust shall be reported as income by the Company for federal, state, local and foreign tax purposes.

9.3. Expenses. Following any Change in Control, the Company shall be

liable for, and shall pay the Expenses paid or incurred by Indemnitee in connection with the making of any Determination (irrespective of the determination as to Indemnitee's entitlement to indemnification) or the prosecution of any Claim pursuant to Section 8.2, and the Company hereby agrees to indemnify and hold Indemnitee harmless therefrom. If requested by counsel for Indemnitee, the Company shall promptly give such counsel an appropriate written agreement with respect to the payment of its fees and expenses and such other matters as may be reasonably requested by such counsel.

Section 10. Period of Limitations. No legal action shall be brought and no cause of action shall be asserted by or in the right of the Company, any Subsidiary, any Other Enterprise or any Affiliate of the Company against Indemnitee or Indemnitee's spouse, heirs, executors, administrators or personal or legal representatives after the expiration of two years from the date of accrual of such cause of action, and any claim or cause of action of the Company, any Subsidiary, any Other Enterprise or any Affiliate of the Company shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such two-year period; provided, however, that if any shorter period of limitations, whether established by statute or judicial decision, is otherwise applicable to any such cause of action such shorter period shall govern.

Section 11. Contribution. If the indemnification provisions of this Agreement should be unenforceable under applicable law in whole or in part or insufficient to hold Indemnitee harmless in respect of any Losses and Expenses incurred by Indemnitee, then for purposes of this Section 11, the Company shall be treated as if it were, or was threatened to be made, a party defendant to the subject Claim and the Company shall contribute to the amounts paid or payable by Indemnitee as a result of such Losses and Expenses incurred by Indemnitee in such proportion as is appropriate to reflect the relative benefits accruing to the Company on the one hand and Indemnitee on the other and the relative fault of the Company on the one hand and Indemnitee on the other in connection with such Claim, as well as any other relevant equitable considerations. For purposes of this Section 11 the relative benefit of the Company shall be deemed to be the benefits accruing to it and to all of its directors, officers, employees and agents (other than Indemnitee) on the one hand, as a group and treated as one entity, and the relative benefit of Indemnitee shall be deemed to be an amount not greater than the Indemnitee's yearly base salary or Indemnitee's compensation from the Company during the first year in which the Covered Event forming the basis for the subject Claim was alleged to have occurred. The relative fault shall be determined by reference to, among other things, the fault of the Company and all of its directors, officers, employees and agents (other than Indemnitee) on the one hand, as a group and treated as one entity, and Indemnitee's and such group's relative intent, knowledge, access to information and opportunity to have altered or prevented the Covered Event forming the basis for the subject Claim.

Section 12. Miscellaneous Provisions.

12.1. Successors and Assigns, Etc.

12.1.1. This Agreement shall be binding upon and inure to the benefit of (a) the Company, its successors and assigns (including any direct or indirect successor by merger, consolidation or operation of law or by transfer of all or substantially all of its assets) and (b)

Indemnitee and the heirs, personal and legal representatives, executors, administrators or assigns of Indemnitee.

12.1.2. The Company shall not consummate any consolidation, merger or other business combination, nor will it transfer 50% or more of its assets (in one or a series of related transactions), unless the ultimate Parent of the successor to the business or assets of the Company shall have first executed an agreement, in form and substance satisfactory to Indemnitee, to expressly assume all obligations of the Company under this Agreement and agree to perform this Agreement in accordance with its terms, in the same manner and to the same extent that the Company would be required to perform this Agreement if no such transaction had taken place; provided that, if the Parent is not the Company, the legality of payment of indemnity by the Parent shall be determined by reference to the fact that such indemnity is to be paid by the Parent rather than the Company.

12.2. Severability. The provisions of this Agreement are severable.

If any provision of this Agreement shall be held by any court of competent jurisdiction to be invalid, void or unenforceable, such provision shall be deemed to be modified to the minimum extent necessary to avoid a violation of law and, as so modified, such provision and the remaining provisions shall remain valid and enforceable in accordance with their terms to the fullest extent permitted by law.

12.3. Rights Not Exclusive; Continuation of Right of Indemnification.

Nothing in this Agreement shall be deemed to diminish or otherwise restrict Indemnitee's right to indemnification pursuant to any provision of the Certificate of Incorporation or Bylaws of the Company, any agreement, vote of stockholders or Disinterested Directors, applicable law or otherwise. This Agreement shall be effective as of the date first above written and continue in effect until no Claims relating to any Covered Event may be asserted against Indemnitee and until any Claims commenced prior thereto are finally terminated and resolved, regardless of whether Indemnitee continues to serve as an officer of the Company, any Subsidiary or any Other Enterprise.

12.4. No Employment Agreement. Nothing contained in this Agreement

shall be construed as giving Indemnitee any right to be retained in the employ of the Company, any Subsidiary or any Other Enterprise.

12.5. Subsequent Amendment. No amendment, termination or repeal of

any provision of the Certificate of Incorporation or Bylaws of the Company, or any respective successors thereto, or of any relevant provision of any applicable law, shall affect or diminish in any way the rights of Indemnitee to indemnification, or the obligations of the Company, arising under this Agreement, whether the alleged actions or conduct of Indemnitee giving rise to the necessity of such indemnification arose before or after any such amendment, termination or repeal.

12.6. Notices. Notices required under this Agreement shall be given

in writing and shall be deemed given when delivered in person or sent by certified or registered mail, return receipt requested, postage prepaid. Notices shall be directed to the Company Three Limited Parkway, Columbus, OH 43230, Attention: Chairman of the Board, and to Indemnitee at the residential address as shown on the Company's records (or such other address as either party may designate in writing to the other).

12.7. Governing Law. This Agreement shall be governed by and

construed and enforced in accordance with the laws of the State of Delaware applicable to contracts made and performed in such state without giving effect to the principles of conflict of laws.

12.8. Headings. The headings of the Sections of this Agreement are

inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

12.9. Counterparts. This Agreement may be executed in any number of

counterparts all of which taken together shall constitute one instrument.

12.10. Modification and Waiver. No supplement, modification or

amendment of this Agreement shall be binding unless executed in writing by both
of the parties hereto. No waiver or any of the provisions of this Agreement
shall constitute, or be deemed to constitute, a waiver of any other provision
hereof (whether or not similar) nor shall any such waiver constitute a
continuing waiver.

The parties hereto have caused this Agreement to be duly executed as of
the day and year first above written.

THE LIMITED, INC.

INDEMNITEE

By

SUPPLEMENTAL SCHEDULE OF DIRECTORS AND
EXECUTIVE OFFICERS WHO ARE PARTIES TO
AN INDEMNIFICATION AGREEMENT

| Signatory ----- | Capacity ----- |
|------------------------|--------------------------------|
| Eugene M. Freedman | Director |
| E. Gordon Gee | Director |
| Kenneth B. Gilman | Director and Executive Officer |
| V. Ann Hailey | Executive Officer |
| Arnold F. Kanarick | Executive Officer |
| David T. Kollat | Director |
| Claudine Malone | Director |
| Leonard A. Schlesinger | Director |
| Donald B. Shackelford | Director |
| Allan R. Tessler | Director |
| Martin Trust | Director and Executive Officer |
| Abigail S. Wexner | Director |
| Leslie H. Wexner | Director and Executive Officer |
| Raymond Zimmerman | Director |

THE LIMITED, INC. AND SUBSIDIARIES
 RESTATED COMPUTATION OF PER SHARE EARNINGS

(Thousands except per share amounts)

| | Quarter Ended | |
|---|---------------------|---------------------|
| | January 30, 1999 | January 31, 1998 |
| Net income | \$228,174 | \$67,448 |
| Less: impact of IBI dilutive options and restricted stock on consolidated income* | (2,245) | (197) |
| Adjusted net income | \$225,929 | \$67,251 |
| Common shares outstanding: | | |
| Weighted average | 379,454 | 379,454 |
| Dilutive effect of stock options | 5,436 | 4,165 |
| Weighted average treasury shares | (153,107) | (106,900) |
| Weighted average used to calculate net income per diluted share | 231,783 | 276,719 |
| Net income per diluted share | \$0.97 | \$0.24 |

| | Year Ended | |
|---|---------------------|---------------------|
| | January 30, 1999 | January 31, 1998 |
| Net income | \$2,046,494 | \$211,653 |
| Less: impact of IBI dilutive options and restricted stock on consolidated income* | (4,009) | (144) |
| Adjusted net income | \$2,042,485 | \$211,509 |
| Common shares outstanding: | | |
| Weighted average | 379,454 | 379,454 |
| Dilutive effect of stock options | 5,412 | 2,585 |
| Weighted average treasury shares | (138,547) | (107,556) |
| Weighted average used to calculate net income per diluted share | 246,319 | 274,483 |
| Net income per diluted share | \$8.29 | \$0.77 |

* Represents the impact of dilutive options and restricted stock at Intimate Brands as a reduction to income.

THE LIMITED, INC. AND SUBSIDIARIES
 RESTATED RATIO OF EARNINGS TO FIXED CHARGES
 (Thousands)

| | Year Ended | | | | |
|---|------------------|------------------|------------------|------------------|------------------|
| | January 30, 1999 | January 31, 1998 | February 1, 1997 | February 3, 1996 | January 28, 1995 |
| Adjusted Earnings ----- | | | | | |
| Pretax earnings | 2,351,494 | \$390,653 | \$675,088 | \$1,183,210 | \$741,543 |
| Portion of minimum rent (\$689,240 in 1998, \$738,487 in 1997, \$712,258 in 1996, \$669,301 in 1995, and \$614,147 in 1994) representative of interest | 229,747 | 246,162 | 237,419 | 223,100 | 204,716 |
| Interest on indebtedness | 68,528 | 68,728 | 75,363 | 77,537 | 65,381 |
| Minority interest | 63,616 | 55,610 | 45,466 | 22,175 | - |
| Total earnings as adjusted | \$2,713,385 | \$761,153 | \$1,033,336 | \$1,506,022 | \$1,011,640 |
| Fixed Charges ----- | | | | | |
| Portion of minimum rent representative of interest | 229,747 | \$246,162 | \$237,419 | \$223,100 | \$204,716 |
| Interest on indebtedness | 68,528 | 68,728 | 75,363 | 77,537 | 65,381 |
| Total fixed charges | \$298,275 | \$314,890 | \$312,782 | \$300,637 | \$270,097 |
| Ratio of earnings to fixed charges | 9.10x | 2.42x | 3.30x | 5.01x | 3.75x |

FINANCIAL SUMMARY

(Thousands except per share amounts, ratios and store and associate data)

| | (+) .1998 | (+) 1997 | (+) 1996 | (+) *.1995 | (+) 1994 | .1993 |
|---|--------------|-------------|-------------|-------------|-------------|-------------|
| Summary of Operations | | | | | | |
| Net sales | \$9,346,911 | \$9,188,804 | \$8,644,791 | \$7,881,437 | \$7,320,792 | \$7,245,088 |
| Gross income | \$2,971,260 | \$2,795,482 | \$2,480,457 | \$2,076,702 | \$2,108,280 | \$1,958,835 |
| Operating income | #\$2,424,373 | #\$469,499 | #\$635,767 | #\$611,849 | \$796,189 | #\$701,556 |
| Operating income as a percentage of sales | #25.9% | #5.1% | #7.4% | #7.8% | 10.9% | #9.7% |
| Net income | @\$2,046,494 | @\$211,653 | @\$434,088 | @\$961,210 | \$446,543 | @\$390,999 |
| Net income as a percentage of sales | @21.9% | @2.3% | @5.0% | @12.2% | 6.1% | @5.4% |
| Per Share Results | | | | | | |
| Net income per basic share | @\$8.50 | @\$.78 | @\$1.55 | @\$2.69 | \$1.25 | @\$1.09 |
| Net income per diluted share | @\$8.29 | @\$.77 | @\$1.54 | @\$2.68 | \$1.25 | @\$1.08 |
| Dividends | \$.52 | \$.48 | \$.40 | \$.40 | \$.36 | \$.36 |
| Book value | \$9.56 | \$7.28 | \$6.90 | \$8.86 | \$7.56 | \$6.82 |
| Weighted average diluted shares outstanding | 246,319 | 274,483 | 282,053 | 358,371 | 358,601 | 363,234 |
| Other Financial Information | | | | | | |
| Total assets | \$4,549,708 | \$4,300,761 | \$4,120,002 | \$5,266,563 | \$4,570,077 | \$4,135,105 |
| Return on average assets | @46% | @5% | @9% | @20% | 10% | @10% |
| Working capital | \$987,244 | \$868,519 | \$581,204 | \$1,962,260 | \$1,693,911 | \$1,513,181 |
| Current ratio | 1.7 | 1.8 | 1.6 | 3.3 | 3.0 | 3.1 |
| Capital expenditures | \$347,356 | \$362,840 | \$361,202 | \$374,374 | \$319,676 | \$295,804 |
| Long-term debt | \$550,000 | \$650,000 | \$650,000 | \$650,000 | \$650,000 | \$650,000 |
| Debt-to-equity ratio | 25% | 33% | 35% | 21% | 24% | 27% |
| Shareholders' equity | \$2,166,959 | \$1,985,765 | \$1,869,127 | \$3,147,706 | \$2,704,756 | \$2,441,293 |
| Return on average shareholders' equity | @99% | @11% | @17% | @33% | 17% | @17% |
| Comparable store sales increase (decrease) | 6% | 0% | 3% | (2%) | (3%) | (1%) |
| Stores and Associates at End of Year | | | | | | |
| Total number of stores open | 5,382 | 5,640 | 5,633 | 5,298 | 4,867 | 4,623 |
| Selling square feet | 26,316,000 | 28,400,000 | 28,405,000 | 27,403,000 | 25,627,000 | 24,426,000 |
| Number of associates | 126,800 | 131,000 | 123,100 | 106,900 | 105,600 | 97,500 |
| Summary of Operations | | | | | | |
| Net sales | \$6,944,296 | \$6,149,218 | \$5,253,509 | \$4,647,916 | \$4,070,777 | |
| Gross income | \$1,990,740 | \$1,793,543 | \$1,630,439 | \$1,446,635 | \$1,214,703 | |
| Operating income | \$788,698 | \$712,700 | \$697,537 | \$625,254 | \$467,418 | |
| Operating income as a percentage of sales | 11.4% | 11.6% | 13.3% | 13.5% | 11.5% | |

| | | | | | |
|-------------------------------------|------------|-----------|-----------|-----------|-----------|
| Net income | @\$455,497 | \$403,302 | \$398,438 | \$346,926 | \$245,136 |
| Net income as a percentage of sales | @6.6% | 6.6% | 7.6% | 7.5% | 6.0% |

Per Share Results

| | | | | | |
|---|---------|---------|---------|---------|---------|
| Net income per basic share | @\$1.26 | \$1.12 | \$1.11 | \$.97 | \$.68 |
| Net income per diluted share | @\$1.25 | \$1.11 | \$1.10 | \$.96 | \$.68 |
| Dividends | \$.28 | \$.28 | \$.24 | \$.16 | \$.12 |
| Book value | \$6.25 | \$5.19 | \$4.33 | \$3.45 | \$2.64 |
| Weighted average diluted shares outstanding | 363,738 | 363,594 | 362,044 | 361,288 | 360,186 |

Other Financial Information

| | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|
| Total assets | \$3,846,450 | \$3,418,856 | \$2,871,878 | \$2,418,486 | \$2,145,506 |
| Return on average assets | @13% | 13% | 15% | 15% | 12% |
| Working capital | \$1,063,352 | \$1,084,205 | \$884,004 | \$685,524 | \$567,639 |
| Current ratio | 2.5 | 3.1 | 2.8 | 2.4 | 2.2 |
| Capital expenditures | \$429,545 | \$523,082 | \$428,844 | \$318,427 | \$288,972 |
| Long-term debt | \$541,639 | \$713,758 | \$540,446 | \$445,674 | \$517,952 |
| Debt-to-equity ratio | 24% | 38% | 35% | 36% | 55% |
| Shareholders' equity | \$2,267,617 | \$1,876,792 | \$1,560,052 | \$1,240,454 | \$946,207 |
| Return on average shareholders' equity | @22% | 23% | 28% | 32% | 29% |
| Comparable store sales increase (decrease) | 2% | 3% | 3% | 9% | 8% |

Stores and Associates at End of Year

| | | | | | |
|-----------------------------|------------|------------|------------|------------|------------|
| Total number of stores open | 4,425 | 4,194 | 3,760 | 3,344 | 3,497 |
| Selling square feet | 22,863,000 | 20,355,000 | 17,008,000 | 14,374,000 | 14,296,000 |
| Number of associates | 100,700 | 83,800 | 72,500 | 63,000 | 56,700 |

. Includes the results of companies disposed of up to the disposition date. Effective May 19, 1998, Abercrombie & Fitch ("A&F") was split off as an independent company. Effective April 30, 1989, the Company sold its Lerner Woman Division; effective August 31, 1993, the Company sold 60% of its interest in Brylane, Inc.; and effective January 31, 1996, the Company sold 60% of its interest in Alliance Data Systems.

*Includes the results of Gryphon subsequent to June 1, 1991, when the Company acquired a controlling interest and Galyan's subsequent to the July 2, 1995 acquisition date.

Includes the effect on operating income of special and nonrecurring items of \$1,740,030 in 1998, (\$213,215) in 1997 and (\$12,000) in 1996 (see Note 3 to the Consolidated Financial Statements), \$1,314 in 1995 and \$2,617 in 1993. Inventory liquidation charges of (\$13,000) related to Henri Bendel store closings are also included in 1997.

@ In addition to the items discussed in # above, includes the effect on net income of the gain resulting from the initial public offerings of \$8,606 for Brylane, Inc. in 1997, \$118,178 for a 15.8% interest in A&F in 1996 (see Note 1 to the Consolidated Financial Statements), \$649,467 for a 16.9% interest in Intimate Brands, Inc. in 1995, and \$9,117 for United Retail Group in 1992.

+ Fifty-three-week fiscal year.

(+) Certain amounts for the five fiscal years ended January 30, 1999 have been restated as a result of the Company's change in accounting for gift certificates, store credits and layaway sales (See Note 2 to the Consolidated Financial Statements).

Change in Accounting for Gift Certificates, Store Credits and Layaway Sales

The Company sells gift certificates in exchange for cash and issues store credits in exchange for the value of returned merchandise. These gift certificates and store credits do not expire and both can be redeemed toward the purchase of merchandise in the future. The Company also offers a layaway sales program, which allows customers to make payments over a period of time toward the purchase of merchandise.

As discussed in Note 2 to the Consolidated Financial Statements, the Company has changed its accounting for gift certificates, store credits and layaway sales. The change was made after the issuance of the recent Securities and Exchange Commission Staff Accounting Bulletin, No. 101, "Revenue Recognition in Financial Statements." The Company had historically recognized net receipts/(redemptions) from gift certificates and store credits as a reduction/(increase) to general, administrative and store operating expenses. Layaway sales were recognized upon receipt of the initial payment. The Company now defers the recognition of income on these transactions until the merchandise is delivered to the customer.

The Company has given retroactive effect to this accounting change by restating its previously issued financial statements beginning with fiscal 1996. As a result of the change in accounting, net income for 1998 was reduced from the previously reported amounts by \$7.2 million, or \$0.03 per share, net income for 1997 was reduced by \$5.7 million, or \$0.02 per share, and net income for 1996 was reduced by \$0.1 million, or \$0.00 per share. The change in accounting also results in a shift in the pattern of quarterly earnings (see Note 15 to the Consolidated Financial Statements).

Results of Operations

Net sales for the fourth quarter were \$3.256 billion in 1998 and \$3.268 billion in 1997. Comparable store sales increased 6% for the quarter. Gross income was \$1.171 billion in the fourth quarter of 1998 versus \$1.149 billion in 1997 and operating income was \$444 million versus \$168 million in 1997. Net income was \$228.2 million in the fourth quarter of 1998 versus \$67.4 million in 1997, and earnings per share were \$.97 versus \$.24 in 1997.

During the fourth quarter of 1997, the Company recognized \$276 million in special and nonrecurring charges and a \$13 million cost of sales charge for inventory liquidation at Henri Bendel. See the "Special and Nonrecurring Items" and "Other Data" sections that follow for further discussion of these charges and their impact on fourth quarter earnings.

Net sales for the year were \$9.347 billion in 1998 versus \$9.189 billion in 1997. Gross income was \$2.971 billion in 1998 versus \$2.795 billion in 1997 and operating income was \$2.424 billion in 1998 versus \$469 million in 1997. In 1998, operating income included: 1) a \$1.651 billion tax-free gain from the split-off of Abercrombie & Fitch ("A&F") as an independent public company effective May 19, 1998; 2) a \$93.7 million gain from the sale of the Company's remaining interest in Brylane, Inc. ("Brylane"), a catalogue retailer; and 3) a \$5.1 million charge for severance and other associate termination costs at Henri Bendel. In 1997, operating income included a \$13 million inventory liquidation charge at Henri Bendel and a \$213.2 million net charge consisting of the aforementioned fourth quarter charges of \$276 million, partially offset by a \$62.8 million third quarter net gain related principally to the sale of approximately one-half of the Company's investment in Brylane.

Net income for 1998 was \$2.046 billion, or \$8.29 per share, compared to \$211.7 million, or \$.77 per share last year. In addition to the items described above, 1997 net income included a gain of \$8.6 million in connection with the initial public offering ("IPO") of Brylane. See the "Other Data" section that follows for a discussion of the impact of these items on annual earnings.

Business highlights for 1998 include the following:

. Intimate Brands, Inc. ("IBI"), led by strong performances at Bath & Body Works and Victoria's Secret Stores, recorded earnings per share of \$1.49, compared to \$1.07 in 1997. The 1997 earnings per share included special and nonrecurring charges of \$.15 related to the closing of Cacique. Excluding the 1997 special and nonrecurring charges, IBI operating income increased 19% and net income increased 22%.

. The apparel businesses reported comparable store sales increases of 5% for the quarter and 6% for the year. Express and Limited Too led this performance with comparable store sales increases of 14% and 10% for the fourth quarter and 16% and 15% for the year.

. In May 1998, A&F was split off as a fully independent company via a tax-free exchange, pursuant to which The Limited shareholders tendered 47.1 million shares of The Limited stock in return for shares of A&F. In connection with the exchange, the Company recorded a \$1.651 billion tax-free gain.

. In the first quarter of 1998, the Company sold its remaining 2.6 million shares of Brylane for \$51 per share, generating cash proceeds of \$131 million and a gain of \$93.7 million.

. In the fourth quarter of 1998, IBI announced its intention to repurchase up to \$500 million of its common stock on a proportionate basis from both the open market and The Limited, Inc. The Limited owns 84.5% of IBI. As of January 30, 1999, IBI had repurchased a total of 2.7 million shares for \$95.5 million.

The following summarized financial data compares 1998 to the comparable periods for 1997 and 1996 (millions):

| Net Sales | 1998 | 1997 | 1996 | 1998-97 | 1997-96 |
|-----------------------------|---------|---------|---------|---------|---------|
| Express | \$1,356 | \$1,189 | \$1,386 | 14% | (14%) |
| Lerner New York | 940 | 946 | 1,045 | (1%) | (9%) |
| Lane Bryant | 933 | 907 | 905 | 3% | 0% |
| The Limited | 757 | 776 | 855 | (2%) | (9%) |
| Structure | 610 | 660 | 660 | (8%) | 0% |
| Limited Too | 377 | 322 | 259 | 17% | 24% |
| Other (principally Mast) | 72 | 6 | 4 | n/m | n/m |
| Total Apparel businesses | \$5,045 | \$4,806 | \$5,114 | 5% | (6%) |
| Victoria's Secret Stores | 1,829 | 1,702 | 1,450 | 7% | 17% |
| Bath & Body Works | 1,272 | 1,057 | 753 | 20% | 40% |
| Victoria's Secret Catalogue | 759 | 734 | 684 | 3% | 7% |
| . Other | 26 | 125 | 110 | n/m | n/m |
| Total Intimate Brands | \$3,886 | \$3,618 | \$2,997 | 7% | 21% |
| Galyan's Trading Co. | 220 | 160 | 108 | 38% | 48% |
| * Henri Bendel | 40 | 83 | 91 | (52%) | (9%) |
| # Abercrombie & Fitch | 156 | 522 | 335 | (70%) | 56% |
| Total net sales | \$9,347 | \$9,189 | \$8,645 | 2% | 6% |

Operating Income

| | | | | | |
|------------------------|---------|--------|--------|------|-------|
| Apparel businesses | \$<14> | \$44 | \$158 | n/m | (72%) |
| Intimate Brands | 671 | 563 | 468 | 19% | 20% |
| Other | 27 | 88 | 22 | n/m | n/m |
| Subtotal | 684 | 695 | 648 | <2%> | 7% |
| Special items | @1,740 | +(226) | ++(12) | | |
| Total operating income | \$2,424 | \$469 | \$636 | | |

. Primarily Cacique sales prior to closing effective January 31, 1998.

* Five of six Henri Bendel stores were closed by September 1998.

The A&F business was split off effective May 19, 1998 via a tax-free exchange offer. Results up to this date are included in the consolidated financial statements.

@ 1998 special and nonrecurring items: 1) a \$1.651 billion tax-free gain on the split-off of A&F; 2) a \$93.7 million gain from the sale of the Company's remaining interest in Brylane; and 3) a \$5.1 million charge for severance and other associate termination costs related to the closing of Henri Bendel stores. These special items relate to the "Other" category.

+ 1997 special and nonrecurring items: 1) an \$89.0 million charge for the apparel businesses related to asset impairment and the closing and downsizing of certain stores; 2) a \$67.6 million charge for Intimate Brands related to the closing of the Cacique business (effective January 31, 1998); and 3) a \$107.4 million charge related to the closing of five of six Henri Bendel stores, \$62.8 million of income related to the gain from the sale of approximately one-half of the Company's interest in Brylane (net of a \$12.5 million valuation adjustment on an investment) and a \$12.0 million write-down of a real estate investment to net realizable value, all of which relate to the "Other" category. Additionally, includes a \$13.0 million inventory liquidation charge associated with the Henri Bendel closings.

++ 1996 special and nonrecurring item: a \$12.0 million charge for revaluation of certain assets in connection with Intimate Brands' April 1997 sale of Penhaligon's.

n/m not meaningful

The following summarized financial data compares 1998 to the comparable periods for 1997 and 1996:

| | 1998 | 1997 | 1996 |
|--|-------|-------|------|
| Comparable Store Sales | | | |
| Express | 16% | (15%) | (6%) |
| Lerner New York | 5% | (5%) | 8% |
| Lane Bryant | 5% | 1% | 0% |
| The Limited | 1% | (7%) | 3% |
| Structure | (8%) | (3%) | 7% |
| Limited Too | 15% | 20% | 8% |
| Total Apparel businesses | 6% | (5%) | 1% |
| Victoria's Secret Stores | 4% | 11% | 5% |
| Bath & Body Works | 7% | 11% | 11% |
| Total Intimate Brands | 5% | .11% | .7% |
| Galyan's Trading Co. | 5% | 0% | 12% |
| Henri Bendel | (12%) | (13%) | (5%) |
| Abercrombie & Fitch (through 5/19/98) | 48% | 21% | 13% |
| Total comparable store sales increase | 6% | 0% | 3% |

| | 1998 | 1997 | 1996 | % Change | |
|---|---------|---------|---------|----------|---------|
| | | | | 1998-97 | 1997-96 |
| Store Data | | | | | |
| Retail sales increase attributable to new and remodeled stores (1998 change excludes impact of closing Cacique) | 1% | 6% | 8% | | |
| Retail sales per average selling square foot | \$312 | \$295 | \$285 | 6% | 4% |
| Retail sales per average store (thousands) | \$1,533 | \$1,478 | \$1,453 | 4% | 2% |
| Average store size at end of year (selling square feet) | 4,890 | 5,035 | 5,043 | (3%) | 0% |
| Retail selling square feet at end of year (thousands) | 26,316 | 28,400 | 28,405 | (7%) | 0% |

Number of Stores

| | | | |
|-------------------|---------|---------|-------|
| Beginning of year | 5,640 | 5,633 | 5,298 |
| Opened | 251 | 315 | 470 |
| Disposed | * (159) | (4) | -- |
| Closed | (350) | # (304) | (135) |
| End of year | 5,382 | 5,640 | 5,633 |

. Includes Cacique sales prior to closing effective January 31, 1998.

* Represents the split-off of A&F effective May 19, 1998.

Includes 118 stores from the January 31, 1998 closing of Cacique.

Net Sales

1998 versus 1997

Net sales for the fourth quarter were \$3.256 billion in 1998, essentially flat compared to 1997 sales of \$3.268 billion. A comparable store sales increase of 6% was offset by the loss of sales from A&F after its May 19, 1998 split-off.

Net sales for the year were \$9.347 billion in 1998 and \$9.189 billion in 1997. A 6% comparable store sales increase was partially offset by the loss of A&F sales following the May 19, 1998 split-off and by a net reduction in stores. Excluding A&F, the Company added 246 new stores, remodeled 125 stores and closed 348 underperforming stores, 125 of which were closed at or near year-end. This net reduction of 102 stores represents approximately 850,000 square feet of retail selling space.

In 1998, IBI sales increased 7% to \$3.886 billion, due to the net addition

of 180 stores, representing 466,000 new retail selling square feet, and a 5% increase in comparable store sales. Bath & Body Works led IBI, with sales increasing 20% to \$1.272 billion, primarily attributable to the net addition of 140 new stores, representing 319,000 new retail selling square feet, and a 7% increase in comparable store sales. Overall, Bath & Body Works' sales increase was primarily driven by the brand's new, unique holiday product collections. Victoria's Secret Stores' sales increased 7% to \$1.829 billion. The sales increase was primarily attributable to a 4% increase in comparable store sales, and the net addition of 40 new stores representing 147,000 new retail selling square feet. Victoria's Secret Catalogue's net sales increased 3% to \$759 million in 1998, primarily due to a response rate increase for the year.

In 1998, the apparel businesses reported retail sales of \$4.973 billion, a 4% increase versus 1997 sales of \$4.800 billion. Sales increased \$167 million at Express and \$55 million at Limited Too, primarily driven by comparable store sales increases of 16% and 15%. Comparable store sales at Lerner New York and Lane Bryant increased 5%. The effect of these increases on total net sales was partially offset by an 8% comparable store sales decrease at Structure, and the net reduction of 280 apparel stores, representing approximately 1.5 million retail selling square feet, principally due to closures of underperforming locations.

1997 versus 1996

Net sales for the fourth quarter of 1997 increased 10% to \$3.268 billion from \$2.966 billion in 1996, due to 5% comparable store sales gains, the impact of new and remodeled stores and increased catalogue sales.

Net sales for the year increased 6% to \$9.189 billion in 1997 from \$8.645 billion in 1996. Net sales at IBI increased \$621 million due to the net addition of 225 stores (excluding the impact of the Cacique and Penhaligon's store closings), an 11% increase in comparable store sales and a 7% sales increase at Victoria's Secret Catalogue. Additionally, A&F reported a \$187 million sales increase driven by a 21% increase in comparable store sales.

However, the 1997 sales increases at IBI and A&F were partially offset by sales in the apparel businesses, which declined \$308 million from 1996. The decrease was due to a 5% decline in comparable store sales, and a net decrease of 125 stores, principally from closing underperforming locations. Partially offsetting these declines was a strong performance from Limited Too, which generated a \$63 million sales increase from a 20% increase in comparable store sales.

Gross Income

The fourth quarter of 1998 gross income rate (expressed as a percentage of sales) increased to 36.0% from 35.2% for the same period in 1997. The rate increase was principally due to a 0.7% decrease in the buying and occupancy rate. The buying and occupancy rate

decrease was a result of sales leverage at IBI and the benefit from store closings at the apparel businesses. The fourth quarter of 1997 gross income rate increased to 35.2% from 32.8% for the same period in 1996. The merchandise margin rate (representing gross income before deduction of buying and occupancy costs) increased 2.3%, principally due to improved initial markup ("IMU").

For the year, the 1998 gross income rate increased to 31.8% from 30.4% in 1997. The rate increase was primarily due to a 0.9% increase in the merchandise margin rate and a 0.5% decrease in the buying and occupancy rate. The gains in the merchandise margin rate were due to an increase at the IBI businesses (the apparel businesses experienced a decline). The buying and occupancy rate declined at the IBI businesses as a result of sales leverage. The buying and occupancy rate also declined at the apparel businesses due to sales leverage at Express and Limited Too, as well as aggressive closings of oversized and unprofitable stores over the past two years.

The 1997 gross income rate increased to 30.4% from 28.7% in 1996. The merchandise margin rate increased 1.7%, principally due to improved IMU, while the buying and occupancy rate was flat to the prior year.

General, Administrative and Store Operating Expenses

The fourth quarter of 1998 general, administrative and store operating expense rate (expressed as a percentage of sales) increased to 22.3% from 21.6% for the same period in 1997. The rate increase was attributable to: 1) a 1.0% rate increase at IBI driven by investment in national advertising for Victoria's Secret; 2) a lack of expense leverage at Limited Stores and Structure; and 3) costs of direct mail and other targeted marketing efforts at the apparel businesses.

The fourth quarter of 1997 general, administrative and store operating expense rate increased to 21.6% from 19.4% in 1996. The rate increase was attributable to: 1) a 2.6% rate increase at IBI that was driven by investment in national advertising for Victoria's Secret; 2) the inability to leverage these expenses at the women's apparel businesses due to disappointing sales performance; and 3) compensation charges for restricted stock plans.

For the year, the 1998 general, administrative and store operating expense rate increased to 24.5% from 23.0% in 1997. The rate increase was primarily attributable to: 1) a 1.7% rate increase at IBI due to investment in national advertising for Victoria's Secret, and additional store staffing for product extensions and new initiatives in Victoria's Secret Stores; 2) the inability to leverage these expenses at the women's apparel businesses due to disappointing sales performance; 3) compensation charges for restricted stock plans; and 4) Year 2000 information technology costs.

The 1997 general, administrative and store operating expense rate increased to 23.0% from 21.2% in 1996, primarily due to the same factors that affected the fourth quarter of 1997.

Special and Nonrecurring Items

On May 19, 1998, the Company completed a tax-free exchange offer to establish A&F as an independent company. A total of 47.1 million shares of the Company's common stock were exchanged at a ratio of .86 of a share of A&F common stock for each Limited share tendered. In connection with the exchange, the Company recorded a \$1.651 billion tax-free gain. This gain was measured based on the \$43 5/8 per share market value of the A&F common stock at the expiration date of the exchange offer. The remaining 3.1 million A&F shares were distributed through a pro rata spin-off to Limited shareholders.

Also during 1998, the Company recognized a gain of \$93.7 million from the sale of its remaining interest in Brylane. This gain was partially offset by a \$5.1 million charge, in accordance with Emerging Issues Task Force ("EITF") Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits," for severance and other associate termination costs related to the closing of five of six Henri Bendel stores. The severance charge was paid in 1998.

As a result of a plan adopted in connection with a 1997 review of the Company's retail businesses and investments as well as implementation of initiatives intended to promote and strengthen the Company's various retail brands (including closing businesses, identification and disposal of non-core assets and identification of store locations not consistent with a particular brand), the Company recognized special and nonrecurring charges of \$276 million during the fourth quarter of 1997 comprised of:

- . A \$68 million charge for the closing of the 118 store Cacique lingerie business effective January 31, 1998. The amount was comprised of write-offs and liquidations of store assets and accruals related to cancellations of merchandise on order and other exit costs such as severance, service contract termination fees and lease termination costs.

- . An \$82 million charge related to streamlining the Henri Bendel business from six stores to one store (the five stores were closed by August 1, 1998), write-offs of store assets, and accruals for contract cancellations and lease termination costs.

- . An \$86 million impaired asset charge related to the apparel businesses and Henri Bendel, covering certain store locations where the carrying values were permanently impaired.

- . A \$28 million accrual for closing and downsizing oversized stores, primarily within the Limited Stores, Lerner New York, Lane Bryant and Express businesses.

- . A \$12 million write-down to net realizable value of a real estate investment previously acquired in connection with closing and downsizing certain stores.

The \$276 million in special and nonrecurring charges were made up of the following components: 1) asset write-downs of \$67 million, all of which were taken in 1997; 2) impaired asset charges of \$86 million, all of which were taken in 1997; 3) other liabilities such as severance and cancellations of merchandise on order of \$16 million, all of which were paid in 1998; and 4) store closing and lease termination liabilities of \$107 million, of which \$32 million were paid in 1998, leaving a \$75 million liability at year-end.

The \$75 million liability under the 1997 plan relates principally to future payments and estimated settlement amounts for store closings and downsizings and will continue until final payments to landlords are made, currently scheduled through the year 2016. Unless settlements with landlords occur before the end of such lease periods, completion will run the full lease term. In determining the provision for lease obligations, the Company considered the amount of time remaining on each store's lease and estimated the amount necessary for either buying out the lease or continued rent payments.

No accruals related to these charges were reversed or recorded in operating income during 1998.

The \$86 million of impairment charges reduced depreciation by approximately \$18 million in 1998 and will have a similar impact in 1999. The Cacique business had a pre-tax operating loss of \$17 million in 1997, its last year of operations. Henri Bendel's pre-tax operating loss improved by approximately \$9 million in 1998 versus 1997, excluding reduced depreciation from the impairment charge.

Additionally, the Company recognized a \$13 million cost of sales charge in the fourth quarter of 1997 for inventory liquidation charges at Henri Bendel in accordance with EITF Issue No. 96-9, "Classification of Inventory Markdowns and Other Costs Associated with a Restructuring."

The Company recognized a net \$62.8 million gain during the third quarter of 1997 related to the sale of approximately one-half of its investment in Brylane. This gain was net of valuation adjustments on certain assets where the carrying values were permanently impaired.

In 1996, the Company recorded a \$12 million special and nonrecurring charge in connection with the April 1997 sale of Penhaligon's, a U.K.-based subsidiary of IBI.

Operating Income

The fourth quarter of 1998 operating income rate (expressed as a percentage of sales) was 13.6% versus 5.1% in 1997. Excluding special

and nonrecurring items and the Henri Bendel inventory liquidation charge in 1997, the fourth quarter operating income rate was 13.6% in 1998 versus 14.0% in 1997. Significant gains in fourth quarter operating income at IBI were offset by the loss of operating income from A&F after its May 19, 1998 split-off and lower operating income at the apparel retail businesses. Strong results at Express and Limited Too were more than offset by a significant fourth quarter operating loss at Structure (which had an operating profit in 1997). Additionally, lower profitability levels at Lerner New York and Lane Bryant also impacted the apparel businesses' fourth quarter results.

The fourth quarter of 1997 operating income rate was 5.1% versus 13.5% in 1996. Excluding special and nonrecurring charges in both years and the Henri Bendel inventory liquidation charge in 1997, the fourth quarter operating income rate increased to 14.0% from 13.5% in 1996. This rate increase was due to a higher gross income rate at IBI that more than offset general, administrative and store operating expense rate increases.

For the year, the 1998 operating income rate was 25.9% versus 5.1% in 1997. Excluding special and nonrecurring items in both years and the Henri Bendel inventory liquidation charge in 1997, the operating income rate was 7.3% in 1998 versus 7.6% in 1997. In 1998, significant gains in the operating income rate at IBI were offset by a lower operating income rate at the apparel businesses. Operating income improvement at Express and continued favorable results at Limited Too were more than offset by an operating loss at Structure in 1998 (compared to a modest profit in 1997) and significant growth in the operating loss at Limited Stores.

The 1997 operating income rate was 5.1% versus 7.4% in 1996. Excluding special and nonrecurring items in both years and the Henri Bendel inventory liquidation charge in 1997, the operating income rate increased to 7.6% in 1997 from 7.5% in 1996, for the same reasons discussed above for the fourth quarter of 1997.

Interest Expense

| | Fourth Quarter | | Year | | |
|-------------------------------------|----------------|---------|---------|---------|---------|
| | 1998 | 1997 | 1998 | 1997 | 1996 |
| Average daily borrowings (millions) | \$898.0 | \$891.4 | \$808.2 | \$835.9 | \$964.3 |
| Average effective interest rate | 8.60% | 8.07% | 8.48% | 8.22% | 7.82% |

Interest expense was \$19.3 million in the fourth quarter of 1998, up \$1.3 million over 1997. The increase was the result of financing fees, slightly higher interest rates and increased borrowing levels. Interest expense for 1998 of \$68.5 million was flat compared to \$68.7 million in 1997 as lower average borrowing levels were offset by higher interest rates.

Other Income

Other income was \$15.0 million in both the fourth quarter of 1998 and 1997. For the year 1998, other income increased \$22.4 million to \$59.3 million. The increase was primarily due to interest earned on significantly higher average cash balances during the first three quarters of 1998, which was primarily the result of: 1) cash inflows totaling \$343 million from the 1997 sales of the Newport Tower office building in Jersey City, New Jersey, The Mall at Tuttle Crossing in Columbus, Ohio, and one-half of the Company's interest in Brylane; and 2) strong operating cash flows from the IBI businesses (see "Liquidity and Capital Resources" following).

Gains in Connection with Initial Public Offerings

As discussed in Note 1 to the Consolidated Financial Statements, the Company recognized a gain of \$8.6 million during the first quarter of 1997, in connection with the IPO of Brylane. In 1996, the Company recognized a \$118.2 million tax-free gain in connection with the IPO of a 15.8% interest (8.05 million shares) of A&F.

Other Data

There were a number of significant events in fiscal years 1998 and 1997 that impacted the comparability of the Company's earnings per share data and are more fully described in the "Special and Nonrecurring Items" section herein and Note 3 to the Consolidated Financial Statements.

The information included in this section is not intended to be presented in accordance with SEC guidelines for pro forma financial information but is provided to assist in investors' understanding of the Company's results of operations.

1998 versus 1997

Adjusted earnings per share in 1998 increased 11% to \$1.43 from \$1.29 in 1997, adjusting for the impact of special items and reflecting the A&F split-off as if it had occurred at the beginning of 1997. On the same basis, fourth quarter adjusted earnings per share increased 9% to \$.97 in 1998 from \$.89 in 1997.

The special items excluded from adjusted earnings per share were as follows:

. In 1998, the Company recorded a \$1.651 billion tax-free gain on the split-off of A&F, a \$93.7 million gain from the sale of the Company's remaining interest in Brylane, and a \$5.1 million charge for severance and other associate

termination costs at Henri Bendel.

. In 1997, the Company recognized \$213.2 million in net special and nonrecurring charges along with the \$13.0 million Henri Bendel inventory liquidation charge.

. In 1997, the Company recognized a gain in connection with the IPO of Brylane of \$8.6 million (see Note 1 to the Consolidated Financial Statements).

The 1998 versus 1997 adjusted results exclude A&F net income of \$7.5 million in 1998 and \$48.3 million in 1997 and reflect adjusted taxes and minority interest.

1997 versus 1996

Adjusted earnings per share increased 5% to \$1.22 in 1997 from \$1.16 in 1996, adjusting for the impact of special items in 1997 (see above) and 1996 (see following). On the same basis, fourth quarter adjusted earnings per share increased 13% to \$.85 from \$.75 in 1996.

The special items excluded from 1996 adjusted earnings per share were as follows:

. A \$118.2 million tax-free gain in connection with the IPO of A&F.

. A \$12.0 million special and nonrecurring charge related to the sale of Penhaligon's.

. Approximately \$10.5 million of interest income from temporarily investing funds used to repurchase 85 million shares via a self-tender. The 1997 versus 1996 adjusted results include A&F full year net income in both years and reflect adjusted taxes and minority interest.

Financial Condition

The Company's balance sheet at January 30, 1999 provides continuing evidence of financial strength and flexibility. The Company's long-term debt-to-equity ratio declined to 25% at the end of 1998 from 33% in 1997, and working capital increased 14% over 1997 to \$1.0 billion. A more detailed discussion of liquidity, capital resources and capital requirements follows.

Liquidity and Capital Resources

Cash provided by operating activities, commercial paper backed by funds available under committed long-term credit agreements, and the Company's capital structure continue to provide the resources to support current operations, projected growth, seasonal requirements and capital expenditures.

A summary of the Company's working capital position and capitalization follows (thousands):

| | 1998 | 1997 | 1996 |
|--|-------------|-------------|-------------|
| Cash provided by operating activities | \$571,014 | \$558,367 | \$701,445 |
| Working capital | \$987,244 | \$868,519 | \$581,204 |
| Capitalization: | | | |
| Long-term debt | \$550,000 | \$650,000 | \$650,000 |
| Shareholders' equity | 2,166,959 | 1,985,765 | 1,869,127 |
| Total capitalization | \$2,716,959 | \$2,635,765 | \$2,519,127 |
| Additional amounts available under long-term credit agreements | \$1,000,000 | \$1,000,000 | \$1,000,000 |

The Company considers the following to be appropriate measures of liquidity and capital resources:

| | 1998 | 1997 | 1996 |
|--|------|------|------|
| Debt-to-equity ratio (Long-term debt divided by shareholders' equity) | 25% | 33% | 35% |
| Debt-to-capitalization ratio (Long-term debt divided by total capitalization) | 20% | 25% | 26% |
| Interest coverage ratio (Income, excluding special and nonrecurring items and gains in connection with initial public offerings, before interest expense, income taxes, depreciation, and amortization divided by interest expense) | 14x | 14x | 12x |
| Cash flow to capital investment (Net cash provided by operating activities divided by capital expenditures) | 164% | 154% | 194% |

The Company's operations are seasonal in nature and consist of two principal selling seasons: Spring (the first and second quarters) and Fall (the third and fourth quarters). The fourth quarter, including the Holiday season, has accounted for 35%, 36% and 34% of net sales in 1998, 1997 and 1996. Accordingly, cash requirements are highest in the third quarter as the Company's inventory builds in anticipation of the Holiday season, which generates a substantial portion of the Company's operating cash flow for the year.

Operating Activities

Net cash provided by operating activities was \$571.0 million in 1998, \$558.4 million in 1997 and \$701.4 million in 1996 and continued to serve as the Company's primary source of liquidity.

The primary changes in cash provided by operating activities between 1998 and 1997 related to inventories and income taxes. The inventory increase of \$153.7 million was a result of: 1) a \$62.2 million increase in inventory at IBI primarily to support core basics at Victoria's Secret Stores; 2) increases at the apparel businesses related to an increase in nonseasonal goods, basics, such as denim and casual pants, and earlier delivery of Spring goods; and 3) increased inventories for new stores at Galyan's. The inventory increase was offset by a decrease in tax payments relative to 1997. The level of tax payments in 1997 was unusually high due to the timing of tax payments and the settlement of certain tax issues.

"On a comparable basis, the 1998 adjusted earnings per share of The Limited, Inc. increased 11% to \$1.43 from \$1.29 in 1997. For the quarter, adjusted earnings per share rose 9% to \$.97 from \$.89 in 1997."

Net cash provided by operating activities in 1997 decreased \$143.1 million from the prior year principally due to an increase in income tax payments.

Investing Activities

In 1998, investing activities included capital expenditures of \$347.4 million, \$236.5 million of which was for new and remodeled stores. Also in 1998, the Company received \$131.3 million in proceeds from the sale of its remaining interest in Brylane, and \$31.1 million in net proceeds from the sale of properties associated with the Easton project (see "Easton Real Estate Investment" following). In 1997, investing activities included \$235 million in net proceeds from the sales of the Newport Tower and the Company's interest in The Mall at Tuttle Crossing, and \$108.3 million of net proceeds from the third quarter sale of slightly less than one-half of the Company's investment in Brylane. In 1996, \$41.3 million was invested in the Alliance Data Systems (formerly WFN) credit card venture.

Financing Activities

Cash used for financing activities in 1998 reflected an increase in the quarterly dividend to \$.13 per share from \$.12 per share that was more than offset by the reduction in shares outstanding from the split-off of A&F. Dividends for 1998 were \$6.3 million less than 1997. On February 1, 1999, the Company announced a 15% increase in its quarterly dividend to \$.15 per share.

Financing activities included three stock repurchases: one by the Company and two by IBI, all initiated during 1998. First, to reduce the impact of dilution from the exercise of stock options, the Company used \$43 million of proceeds from stock option exercises to repurchase 1.9 million Limited shares. Second, in a repurchase completed in August 1998, IBI acquired 4.7 million shares of its common stock for \$106 million from its public shareholders. The repurchased shares were specifically reserved to cover shares needed for employee benefit plans. Finally, in January 1999, IBI announced its intention to repurchase up to \$500 million of its common stock. The purchases will be made on a proportionate basis from both IBI public shareholders and The Limited. As of January 30, 1999, IBI had repurchased 0.4 million shares from public shareholders for \$14.8 million. Additionally, IBI repurchased 2.3 million shares from The Limited at the same weighted average per share price, which had no cash flow impact to The Limited.

In connection with the split-off of A&F, the Company paid \$47.6 million to settle its intercompany balance at May 19, 1998.

Cash used for financing activities for 1997 reflected an increase in the quarterly dividend to \$.12 per share from \$.10 per share in 1996. Financing activities in 1996 included net proceeds of \$118.2 million from A&F's initial public offering. Financing activities also included \$1.615 billion used to repurchase 85 million shares of the Company's common stock via the self-tender consummated in March 1996.

At January 30, 1999, the Company had available \$1 billion under its long-term credit agreement. Borrowings outstanding under the agreement are due September 28, 2002. However, the revolving term of the agreement may be extended an additional two years upon notification by the Company, subject to the approval of the lending banks. The Company also has the ability to offer up to \$250 million of additional debt securities under its shelf registration statement.

Stores and Selling Square Feet

A summary of actual stores and selling square feet by business for 1998 and 1997 and the 1999 plan by business follows:

| | Plan-1999 | End of Year 1998 | 1997 | Change From | |
|---------------------------|-----------|---------------------|-----------|-------------|-----------|
| | | | | 1999-98 | 1998-97 |
| Express Stores | 682 | 702 | 753 | (20) | (51) |
| Selling square ft | 4,418,000 | 4,511,000 | 4,739,000 | (93,000) | (228,000) |
| Lerner New York Stores | 608 | 643 | 746 | (35) | (103) |
| Selling square ft | 4,552,000 | 5,000,000 | 5,698,000 | (448,000) | (698,000) |
| Lane Bryant Stores | 710 | 730 | 773 | (20) | (43) |
| Selling square ft | 3,427,000 | 3,517,000 | 3,735,000 | (90,000) | (218,000) |
| The Limited Stores | 499 | 551 | 629 | (52) | (78) |
| Selling square ft | 3,067,000 | 3,371,000 | 3,790,000 | (304,000) | (419,000) |
| Structure Stores | 513 | 532 | 544 | (19) | (12) |
| Selling square ft | 2,035,000 | 2,118,000 | 2,143,000 | (83,000) | (25,000) |
| Limited Too Stores | 359 | 319 | 312 | 40 | 7 |
| Selling square ft | 1,152,000 | 1,006,000 | 979,000 | 146,000 | 27,000 |

| | | | | | |
|--------------------------|------------|------------|------------|-----------|-------------|
| Total Apparel Businesses | | | | | |
| Stores | 3,371 | 3,477 | 3,757 | (106) | (280) |
| Selling square ft | 18,651,000 | 19,523,000 | 21,084,000 | (872,000) | (1,561,000) |
| Victoria's Secret | | | | | |
| Stores | 919 | 829 | 789 | 90 | 40 |
| Selling square ft | 3,995,000 | 3,702,000 | 3,555,000 | 293,000 | 147,000 |
| Bath & Body Works | | | | | |
| Stores | 1,231 | 1,061 | 921 | 170 | 140 |
| Selling square ft | 2,499,000 | 2,092,000 | 1,773,000 | 407,000 | 319,000 |
| Total Intimate Brands | | | | | |
| Stores | 2,150 | 1,890 | 1,710 | 260 | 180 |
| Selling square ft | 6,494,000 | 5,794,000 | 5,328,000 | 700,000 | 466,000 |
| Galyan's Trading Co. | | | | | |
| Stores | 18 | 14 | 11 | 4 | 3 |
| Selling square ft | 1,268,000 | 964,000 | 641,000 | 304,000 | 323,000 |
| Henri Bendel | | | | | |
| Stores | 1 | 1 | 6 | -- | (5) |
| Selling square ft | 35,000 | 35,000 | 113,000 | -- | (78,000) |
| Abercrombie & Fitch | | | | | |
| Stores | -- | -- | 156 | -- | (156) |
| Selling square ft | -- | -- | 1,234,000 | -- | (1,234,000) |
| Total Retail Businesses | | | | | |
| Stores | 5,540 | 5,382 | 5,640 | 158 | (258) |
| Selling square ft | 26,448,000 | 26,316,000 | 28,400,000 | 132,000 | (2,084,000) |

Capital Expenditures

Capital expenditures amounted to \$347.4 million, \$362.8 million and \$361.2 million for 1998, 1997 and 1996, of which \$236.5 million, \$194.4 million and \$235.7 million were for new stores and for remodeling of and improvements to existing stores. Remaining capital expenditures are primarily related to information technology and the Company's distribution centers, and include \$30.2 million in 1997 and \$42.1 million in 1996 for constructing the Bath & Body Works distribution center.

The Company anticipates spending \$440 to \$460 million for capital expenditures in 1999, of which \$330 to \$350 million will be for new stores and for remodeling of and improvements to existing stores, and \$35 to \$45 million of which will be for information technology (\$8 to \$10 million of which is related to Year 2000 expenditures). The Company expects that substantially all 1999 capital expenditures will be funded by net cash provided by operating activities.

The Company expects to increase selling square footage by approximately 132,000 selling square feet in 1999. It is anticipated that the increase will result from the addition of approximately 340 stores (primarily within Intimate Brands and Limited Too), offset by the remodeling of approximately 230 stores and the closing of 150 to 200 stores (primarily women's apparel businesses).

Easton Real Estate Investment

The Company's real estate investments include Easton, a 1,200 acre planned community in Columbus, Ohio, that integrates office, hotel, retail, residential and recreational space. The Company's investments in partnerships, land and infrastructure within the Easton property were \$74.6 million at January 30, 1999 and \$105.4 million at January 31, 1998.

In conjunction with the Easton development, the Company maintains an indirect 43% operating interest in a partnership that is developing the Easton Town Center. The Company is a co-guarantor on a \$110 million loan agreement to this partnership. The 1998 year-end loan balance was \$18.3 million. Sufficient leases have already been signed for the Easton Town Center so that anticipated rental income will exceed debt service costs.

In 1998, the Easton project was cash positive with proceeds of \$65.4 million exceeding expenditures of \$34.3 million by \$31.1 million. Expenditures for the Easton development totaled \$41.8 million in 1997 and \$48.1 million in 1996 and net sales proceeds totaled \$31.7 million in 1997 and \$10.7 million in 1996. In 1999, the Company expects cash proceeds from the Easton development to exceed expenditures of \$25 to \$35 million.

Information Systems and "Year 2000" Compliance

The Year 2000 issue arises primarily from computer programs, commercial systems and embedded chips that will be unable to properly interpret dates beyond the year 1999. The Company utilizes a variety of proprietary and third-party computer technologies--both hardware and software--directly in its businesses. The Company also relies on numerous third parties and their systems' ability to address the Year 2000 issue. The Company's critical information technology ("IT") functions include point-of-sale equipment, merchandise distribution, merchandise and non-merchandise procurement, credit card and banking services, transportation, and business and accounting management systems. The Company is using both internal and external resources to complete its Year 2000 initiatives.

In order to address the Year 2000 issue, the Company established a program management office to oversee, monitor and coordinate the company-wide Year 2000 effort. This office has developed and is implementing a Year 2000 plan. The implementation includes five stages: i) awareness, ii) assessment, iii) renovation/development, iv) validation, and v) implementation. There are several areas of focus: 1) renovation of legacy systems throughout the Company; 2) installation of new software packages to replace legacy systems at five of our operating businesses; 3) assessment of Year 2000 readiness at key vendors and suppliers; and 4) evaluating facilities and distribution equipment with embedded computer technology.

The status of each area of focus is as follows:

1) All five stages of Year 2000 implementation for renovation of legacy systems are nearly complete or have been completed for significant IT systems at the Company's businesses.

2) Replacement of significant legacy systems with new software packages has been completed for two of the Company's businesses and is underway for three others. The validation and implementation stages of these new systems are expected to be completed in or prior to the second quarter of 1999.

3) A vast network of vendors, suppliers, and service providers located both within and outside the United States provide the Company with merchandise for resale, supplies for operational purposes, and services. The Company has identified key vendors, suppliers, and service providers and is making inquiries to determine their Year 2000 status. The Company has obtained assurances from a number of its key vendors regarding their Year 2000 status and expects to complete this process by mid-1999. In addition, the Company is in the process of conducting on-site assessments of certain of its key vendors to further assess such vendors' progress and expects to complete this process by mid-1999. Also, the Company, along with other major retail organizations, is participating in a national industry Year 2000 survey of over 80,000 suppliers and vendors.

4) The Company also utilizes various facilities and distribution equipment with embedded computer technology, such as conveyors, elevators, security systems, fire protection systems, and energy management systems. The Company's assessment of these systems is in process and all stages of its efforts are

expected to be completed in the second quarter of 1999.

The Company believes that the reasonably likely worst-case scenario would involve short-term disruption of systems affecting its supply and distribution channels. The Company is developing contingency plans, such as alternative sourcing, and identifying the necessary actions that it would need to take if critical systems or service providers were not Year 2000 compliant. The Company expects to finalize these contingency plans by mid-1999.

At the present time, the Company is not aware of any Year 2000 issues that are expected to affect materially its products, services, competitive position or financial performance. However, despite the Company's significant efforts to make its systems, facilities and equipment Year 2000 compliant, the compliance of third-party service providers and vendors (including, for instance, government entities

and utility companies) is beyond the Company's control. Accordingly, the Company can give no assurances that the failure of systems of other companies on which the Company's systems rely, or the failure of key suppliers or other third parties to comply with Year 2000 requirements, will not have a material adverse effect on the Company.

Total expenditures incurred through 1998 related to remediation, testing, conversion, replacement and upgrading system applications were \$70 million. Incremental expenses totaled \$28 million in 1998. In addition, significant internal payroll costs (not separately identified) were incurred relating to the Company's Year 2000 initiatives.

Total remaining expenditures are expected to range from \$15 to \$20 million through 2000. Total incremental expenses, including depreciation and amortization of new package systems, remediation to bring current systems into compliance, and writing off legacy systems, are not expected to have a material impact on the Company's financial condition during 1999 and 2000.

"An acknowledged leader in its field, Limited Technology Services provides a solid foundation for our family of the world's best fashion brands."

Impact of Inflation

The Company's results of operations and financial condition are presented based on historical cost. While it is difficult to accurately measure the impact of inflation due to the imprecise nature of the estimates required, the Company believes the effects of inflation, if any, on the results of operations and financial condition have been minor.

Adoption of New Accounting Standards

In March 1998, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position ("SOP") 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." The SOP requires that certain external costs and internal payroll and payroll-related costs be capitalized during the application development and implementation stages of a software development project and amortized over the software's useful life. The SOP is effective in the first quarter of 1999 and the Company does not anticipate that this SOP will have an adverse effect on the Company's results of operations.

Additionally, SOP 98-5, "Reporting on the Costs of Start-Up Activities," was issued in April 1998. The SOP requires that entities expense start-up costs and organization costs as they are incurred. The SOP is effective in the first quarter of 1999 and the Company does not anticipate that this SOP will have an adverse effect on the Company's results of operations.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

The Company cautions that any forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) contained in this Report or made by management of the Company involve risks and uncertainties and are subject to change based on various important factors, many of which may be beyond the Company's control. Accordingly, the Company's future performance and financial results may differ materially from those expressed or implied in any such forward-looking statements. Among other things, the foregoing statements as to costs and dates relating to the Year 2000 effort are forward-looking and are based on the Company's current best estimates, which may be proven incorrect as additional information becomes available. The Company's Year 2000-related forward-looking statements are also based on assumptions about many important factors, including the technical skills of employees and independent contractors, the representations and preparedness of third parties, the ability of vendors to deliver merchandise or perform services required by the Company and the collateral effects of the Year 2000 issues on the Company's business partners and customers. While the Company believes its assumptions are reasonable, it cautions that it is impossible to predict factors that could cause actual costs or timetables to differ materially from the expected results. In addition to Year 2000 issues, the following factors, among others, in some cases have affected and in the future could affect the Company's financial performance and actual results and could cause actual results for 1999 and beyond to differ materially from those expressed or implied in any forward-looking statements included in this Report or otherwise made by management: changes in consumer spending patterns, consumer preferences and overall economic conditions, the impact of competition and pricing, changes in weather patterns, political stability, currency and exchange risks and changes in existing or potential duties, tariffs or quotas, availability of suitable store locations at appropriate terms, ability to develop new merchandise and ability to hire and train associates.

Consolidated Statements of Income

(Thousands except per share amounts)

| | 1998 | 1997 | 1996 |
|--|-------------|-------------|-------------|
| Net sales | \$9,346,911 | \$9,188,804 | \$8,644,791 |
| Costs of goods sold, occupancy and buying costs | (6,375,651) | (6,393,322) | (6,164,334) |
| Gross income | 2,971,260 | 2,795,482 | 2,480,457 |
| General, administrative and store operating expenses | (2,286,917) | (2,112,768) | (1,832,690) |
| Special and nonrecurring items, net | 1,740,030 | (213,215) | (12,000) |
| Operating income | 2,424,373 | 469,499 | 635,767 |
| Interest expense | (68,528) | (68,728) | (75,363) |
| Other income, net | 59,265 | 36,886 | 41,972 |
| Minority interest | (63,616) | (55,610) | (45,466) |
| Gain in connection with initial public offerings | -- | 8,606 | 118,178 |
| Income before income taxes | 2,351,494 | 390,653 | 675,088 |
| Provision for income taxes | 305,000 | 179,000 | 241,000 |
| Net income | \$2,046,494 | \$211,653 | \$434,088 |
| Net income per share: | | | |
| Basic | \$8.50 | \$.78 | \$1.55 |
| Diluted | 8.29 | \$.77 | \$1.54 |

The accompanying Notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Thousands)

| | Common Stock Shares Outstanding | Par Value | Paid-In Capital | Retained Earnings | Treasury Stock, at Average Cost | Total Shareholders' Equity |
|-------------------------------------|---------------------------------------|-----------|--------------------|----------------------|---------------------------------------|----------------------------------|
| Balance, February 3, 1996 | 355,366 | \$180,352 | \$137,134 | \$3,147,015 | \$(316,795) | \$3,147,706 |
| Net income | -- | -- | -- | 434,088 | -- | 434,088 |
| Cash dividends | -- | -- | -- | (108,302) | -- | (108,302) |
| Repurchase of common stock | (85,000) | -- | -- | -- | (1,615,000) | (1,615,000) |
| Exercise of stock options and other | 705 | -- | 5,726 | -- | 4,909 | 10,635 |
| Balance, February 1, 1997 | 271,071 | \$180,352 | \$142,860 | \$3,472,801 | \$(1,926,886) | \$1,869,127 |
| Net income | -- | -- | -- | 211,653 | -- | 211,653 |
| Cash dividends | -- | -- | -- | (130,472) | -- | (130,472) |
| Exercise of stock options and other | 1,729 | -- | 5,158 | -- | 30,299 | 35,457 |
| Balance, January 31, 1998 | 272,800 | \$180,352 | \$148,018 | \$3,553,982 | \$(1,896,587) | \$1,985,765 |
| Net income | -- | -- | -- | 2,046,494 | -- | 2,046,494 |
| Cash dividends | -- | -- | -- | (124,203) | -- | (124,203) |
| Repurchase of common stock | (1,890) | -- | -- | -- | (43,095) | (43,095) |
| Split-off of Abercrombie & Fitch | (47,075) | -- | -- | (5,584) | (1,766,138) | (1,771,722) |
| Exercise of stock options and other | 2,737 | -- | 9,196 | -- | 64,524 | 73,720 |
| Balance, January 30, 1999 | 226,572 | \$180,352 | \$157,214 | \$5,470,689 | \$(3,641,296) | \$2,166,959 |

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Consolidated Balance Sheets

(Thousands)

| | January 30, 1999 | January 31, 1998 |
|---|--------------------|--------------------|
| Assets | | |
| Current assets: | | |
| Cash and equivalents | \$870,317 | \$746,395 |
| Accounts receivable | 77,715 | 83,370 |
| Inventories | 1,119,670 | 1,002,710 |
| Store supplies | 98,797 | 99,167 |
| Other | 140,380 | 93,889 |
| Total current assets | 2,306,879 | 2,025,531 |
| Property and equipment, net | 1,361,761 | 1,415,912 |
| Restricted cash | 351,600 | 351,600 |
| Deferred income taxes | 48,782 | 56,586 |
| Other assets | 480,686 | 451,132 |
| Total assets | \$4,549,708 | \$4,300,761 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$289,947 | \$300,703 |
| Current portion of long-term debt | 100,000 | -- |
| Accrued expenses | 801,415 | 783,515 |
| Income taxes | 128,273 | 72,794 |
| Total current liabilities | 1,319,635 | 1,157,012 |
| Long-term debt | 550,000 | 650,000 |
| Other long-term liabilities | 56,010 | 58,720 |
| Minority interest | 105,504 | 97,664 |
| Contingent stock redemption agreement | 351,600 | 351,600 |
| Shareholders' equity: | | |
| Common stock | 180,352 | 180,352 |
| Paid-in capital | 157,214 | 148,018 |
| Retained earnings | 5,470,689 | 3,553,982 |
| | 5,808,255 | 3,882,352 |
| Less: treasury stock, at average cost | (3,641,296) | (1,896,587) |
| Total shareholders' equity | 2,166,959 | 1,985,765 |
| Total liabilities and shareholders' equity | \$4,549,708 | \$4,300,761 |

The accompanying Notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Thousands)

| | 1998 | 1997 | 1996 |
|---|--------------|------------|-------------|
| Operating Activities | | | |
| Net income | \$ 2,046,494 | \$ 211,653 | \$ 434,088 |
| Impact of Other Operating Activities on Cash Flows | | | |
| Depreciation and amortization | 286,000 | 313,292 | 289,643 |
| Special and nonrecurring items, net of income taxes | (1,705,030) | 128,215 | 7,200 |
| Minority interest, net of dividends paid | 40,838 | 33,873 | 21,457 |
| Gain in connection with initial public offerings, net | -- | (5,606) | (118,178) |
| Change in Assets and Liabilities | | | |
| Accounts receivable | 4,704 | (14,033) | 8,179 |
| Inventories | (153,667) | (5,407) | (48,350) |
| Accounts payable and accrued expenses | 52,381 | 92,433 | 116,899 |
| Income taxes | 25,895 | (149,832) | (5,915) |
| Other assets and liabilities | (26,601) | (46,221) | (3,578) |
| Net cash provided by operating activities | 571,014 | 558,367 | 701,445 |
| Investing Activities | | | |
| Net proceeds (expenditures) related to | | | |
| Easton real estate investment | 31,073 | (10,148) | (37,434) |
| Capital expenditures | (347,356) | (362,840) | (361,202) |
| Proceeds from sale of property and related interests | -- | 234,976 | -- |
| Net proceeds from partial sale of interest in investee | 131,262 | 108,259 | -- |
| Businesses acquired | -- | -- | (41,255) |
| Net cash used for investing activities | (185,021) | (29,753) | (439,891) |
| Financing Activities | | | |
| Net proceeds from issuance and sale of subsidiary stock | -- | -- | 118,178 |
| Repurchase of subsidiary common stock | (120,844) | -- | -- |
| Dividends paid | (124,203) | (130,472) | (108,302) |
| Repurchase of common stock | (43,095) | -- | (1,615,000) |
| Settlement of Abercrombie & Fitch intercompany account | (47,649) | -- | -- |
| Stock options and other | 73,720 | 35,457 | 10,635 |
| Net cash used for financing activities | (262,071) | (95,015) | (1,594,489) |
| Net increase (decrease) in cash and equivalents | 123,922 | 433,599 | (1,332,935) |
| Cash and equivalents, beginning of year | 746,395 | 312,796 | 1,645,731 |
| Cash and equivalents, end of year | \$ 870,317 | \$ 746,395 | \$ 312,796 |

In 1998, noncash financing activities include the addition of \$1.766 billion treasury stock as a result of the exchange of 40,484,545 common shares of Abercrombie & Fitch ("A&F") previously owned by the Company for 47,075,052 shares of common stock of the Company. Additional noncash financing activities include a \$5.6 million dividend effected by a pro rata spin-off of the Company's remaining shares of A&F (see Note 3). In 1997, noncash financing activities included \$2.2 million for stock issued in connection with the acquisition of Galyan's.

The accompanying Notes are an integral part of these Consolidated Financial Statements.

"We are growing shareholder value by focusing our talent, time, and capital resources on the highest return opportunities."

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of The Limited, Inc. (the "Company") and all significant subsidiaries that are more than 50% owned and controlled. All significant intercompany balances and transactions have been eliminated in consolidation. The results of Abercrombie & Fitch ("A&F") are included in the consolidated financial statements through May 19, 1998, the date A&F was established as an independent company (see Note 3).

Investments in other entities (including joint ventures) where the Company has the ability to significantly influence operating and financial policies are accounted for on the equity method.

Fiscal Year

The Company's fiscal year ends on the Saturday closest to January 31. Fiscal years are designated in the financial statements and notes by the calendar year in which the fiscal year commences. The results for fiscal years 1998, 1997 and 1996 represent the 52-week periods ended January 30, 1999, January 31, 1998 and February 1, 1997.

Cash and Equivalents

Cash and equivalents include amounts on deposit with financial institutions and money market investments with maturities of less than 90 days.

Inventories

Inventories are principally valued at the lower of average cost or market, on a first-in first-out basis, utilizing the retail method.

Store Supplies

The initial inventory of supplies for new stores including, but not limited to, hangers, signage, security tags and point-of-sale supplies, is capitalized at the store opening date. Subsequent shipments are expensed, except for new merchandise presentation programs, which are capitalized.

Catalogue and Advertising Costs

Catalogue costs, primarily consisting of catalogue production and mailing costs, are amortized over the expected future revenue stream, which is principally from three to six months from the date catalogues are mailed. All other advertising costs are expensed at the time the promotion first appears in media or in the store. Catalogue and advertising costs amounted to \$303 million, \$275 million and \$242 million in 1998, 1997 and 1996.

Property and Equipment

Depreciation and amortization of property and equipment are computed for financial reporting purposes on a straight-line basis, using service lives ranging principally from 10 to 30 years for buildings and improvements and 3 to 10 years for other property and equipment. The cost of assets sold or retired and the related accumulated depreciation or amortization are removed from the accounts with any resulting gain or loss included in net income. Maintenance and repairs are charged to expense as incurred. Major renewals and betterments that extend service lives are capitalized. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that full recoverability is questionable. Factors used in the valuation include, but are not limited to, management's plans for future operations, brand initiatives, recent operating results and projected cash flows.

Goodwill Amortization

Goodwill represents the excess of the purchase price over the fair value of the net assets of acquired companies and is amortized on a straight-line basis over 30 years. Unamortized goodwill related to the \$106 million Intimate Brands, Inc. ("IBI") stock buyback will reverse as the shares are reissued to cover shares needed for employee benefit plans.

Interest Rate Swap Agreements

The difference between the amount of interest to be paid and the amount of interest to be received under interest rate swap agreements due to changing interest rates is charged or credited to interest expense over the life of the swap agreement. Gains and losses from the disposition of swap agreements are deferred and amortized over the term of the related agreements.

Income Taxes

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes," which requires the use of the liability method. Under this method, deferred tax assets and liabilities are recognized based on the difference between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect in the years in which those temporary differences are expected to reverse. Under SFAS No. 109, the effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

Shareholders' Equity

At January 30, 1999, five hundred million shares of \$.50 par value common stock

are authorized and 379.5 million shares are issued. At January 30, 1999, and January 31, 1998, 226.6 million shares and 272.8 million shares are outstanding. Ten million shares of \$1.00 par value preferred stock are authorized, none of which have been issued.

On May 19, 1998, the Company acquired 47.1 million shares of its common stock via a tax-free exchange offer to establish A&F as an independent company (see Note 3).

On March 17, 1996, the Company completed the repurchase of 85 million shares of its common stock under a self-tender offer at \$19.00 per share. Approximately \$1.615 billion was paid in exchange for the outstanding shares with funds made available from a series of transactions that included: 1) the initial public offering of a 16.9% interest in IBI; 2) the securitization of Alliance Data Systems ("ADS," formerly WFN) credit card receivables; and 3) the sale of a 60% interest in ADS.

Revenue Recognition

The Company recognizes retail sales at the time the customer takes possession of merchandise; that is, the point of sale. Gift certificate sales and store credits are deferred until redemption. Layaway sales are deferred until final payment. Catalogue sales are recorded upon shipment of merchandise. A reserve is provided for the gross profit on projected merchandise returns, based on prior experience.

Earnings Per Share

Net income per share is computed in accordance with SFAS No. 128, "Earnings Per Share." Earnings per basic share is computed based on the weighted average number of outstanding common shares. Earnings per diluted share includes the weighted average effect of dilutive options and restricted stock on the weighted average shares outstanding. Additionally, earnings per diluted share includes the impact of the dilutive options and restricted stock at IBI as a reduction to earnings. This reduction did not impact the 1997 or 1996 calculations, but resulted in slightly more than a \$.01 reduction in 1998 earnings per diluted share.

| (Thousands) | 1998 | 1997 | 1996 |
|--|-----------|-----------|----------|
| Weighted Average Common Shares Outstanding | | | |
| Common shares issued | 379,454 | 379,454 | 379,454 |
| Treasury shares | (138,547) | (107,556) | (98,755) |
| Basic shares | 240,907 | 271,898 | 280,699 |
| Dilutive effect of options and restricted shares | 5,412 | 2,585 | 1,354 |
| Diluted shares | 246,319 | 274,483 | 282,053 |

The computation of earnings per diluted share excludes options to purchase 3.2 million, 0.7 million and 5.9 million shares of common stock that were outstanding at year-end 1998, 1997 and 1996, because the options' exercise price was greater than the average market price of the common shares. In addition, the 18.75 million shares subject to the Contingent Stock Redemption Agreement (see Notes 6 and 10) are excluded from the dilution calculation because their redemption would not have a dilutive effect on earnings per share.

"The Company had an operating cash flow of \$571 million and a debt-to-equity ratio of 25%."

Gains in Connection With Initial Public Offerings

Gains in connection with initial public offerings of subsidiaries are recognized in the current year's income. In 1997, the Company recognized a gain of \$8.6 million in connection with the initial public offering ("IPO") of Brylane, Inc. ("Brylane"), a 26% owned (post-IPO) catalogue retailer. In 1996, the Company recognized a \$118.2 million tax-free gain in connection with the IPO of a 15.8% interest (8.05 million shares) of A&F.

Minority interest of \$105.5 million at January 30, 1999, represents a 15.5% interest in the net equity of IBI. Minority interest of \$97.7 million at January 31, 1998, represents a 16.9% interest in the net equity of IBI and a 15.8% interest in the net equity of A&F.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Since actual results may differ from those estimates, the Company revises its estimates and assumptions as new information becomes available.

Reclassifications

Certain amounts on previously reported financial statement captions have been reclassified to conform to current year presentation (See Note 2).

2. Change in Accounting

The Company sells gift certificates in exchange for cash and issues store credits in exchange for the value of returned merchandise. These gift certificates and store credits do not expire and both can be redeemed toward the purchase of merchandise in the future. The Company also offers a layaway sales program, which allows customers to make payments over a period of time toward the purchase of merchandise.

The Company has changed its accounting for gift certificates, store credits and layaway sales. The change was made after the issuance of the recent Securities and Exchange Commission Staff Accounting Bulletin, No. 101, "Revenue Recognition in Financial Statements." The Company had historically recognized net receipts/(redemptions) from gift certificates and store credits as a reduction/(increase) to general, administrative and store operating expenses. Layaway sales were recognized upon receipt of the initial payment. The Company now defers the recognition of income on these transactions until the merchandise is delivered to the customer.

The Company has given retroactive effect to this accounting change by restating its previously issued financial statements beginning with fiscal 1996. The impact of the restatement on the Consolidated Statements of Operations relates principally to gift certificates and store credits. The impact for the fiscal years ended January 30, 1999, January 31, 1998 and February 1, 1997 is as follows (in thousands, except per share amounts):

| | January 30, 1999 | | January 31, 1998 | | February 1, 1997 | |
|---|------------------------|----------------|------------------------|----------------|------------------------|----------------|
| | As Previously Reported | As Restated | As Previously Reported | As Restated | As Previously Reported | As Restated |
| General administrative and store operating expenses | \$ (2,300,523) | \$ (2,286,917) | \$ (2,124,663) | \$ (2,112,768) | \$ (1,848,512) | \$ (1,832,690) |

| | | | | | | |
|----------------------------|--------------|--------------|------------|------------|------------|------------|
| Operating income | 2,437,473 | 2,424,373 | 480,999 | 469,499 | 636,067 | 635,767 |
| Minority interest | (64,564) | (63,616) | (56,473) | (55,610) | (45,646) | (45,466) |
| Income before income taxes | 2,363,646 | 2,351,494 | 400,390 | 390,653 | 675,208 | 675,088 |
| Provision for income taxes | 310,000 | 305,000 | 183,000 | 179,000 | 241,000 | 241,000 |
| Net income | \$ 2,053,646 | \$ 2,046,494 | \$ 217,390 | \$ 211,653 | \$ 434,208 | \$ 434,088 |
| Basic earnings per share | \$ 8.52 | \$ 8.50 | \$ 0.80 | \$ 0.78 | \$ 1.55 | \$ 1.55 |
| Diluted earnings per share | \$ 8.32 | \$ 8.29 | \$ 0.79 | \$ 0.77 | \$ 1.54 | \$ 1.54 |

The change in accounting also results in a shift in the pattern of quarterly earnings (see Note 15). In addition, the restatement resulted in changes to the Consolidated Balance Sheets as of January 30, 1999 and January 31, 1998, and to Notes 1, 7, 8, 14 and 15.

Although the restatement has no impact on the cash flows of the Company, certain classifications within the Consolidated Statements of Cash Flows for the fiscal years ended January 30, 1999, January 31, 1998 and February 1, 1997 were adjusted to reflect the restatement.

In addition to the above, the Company reclassified certain distribution costs related to Bath and Body Works from general, administrative and store operating expense to buying and occupancy expense, consistent with the Company's other businesses. Such amounts were \$26.7 million, \$22.5 million and \$16.1 million in 1998, 1997 and 1996.

3. Special and Nonrecurring Items

On May 19, 1998, the Company completed a tax-free exchange offer to establish A&F as an independent company. A total of 47,075,052 shares of the Company's common stock were exchanged at a ratio of .86 of a share of A&F common stock for each Limited share tendered. In connection with the exchange, the Company recorded a \$1.651 billion tax-free gain. This gain was measured based on the \$43 5/8 per share market value of the A&F common stock at the expiration date of the exchange offer. In addition, on June 1, 1998 a \$5.6 million dividend was effected through a pro rata spin-off to shareholders of the Company's remaining 3,115,455 A&F shares. Limited shareholders of record as of the close of trading on May 29, 1998 received .013673 of a share of A&F for each Limited share owned at that time.

During the first quarter of 1998, the Company recognized a gain of \$93.7 million from the sale of 2.57 million shares at \$51 per share, representing its remaining interest in Brylane. This gain was partially offset by a \$5.1 million charge for severance and other associate termination costs related to the closing of five of six Henri Bendel stores. The severance charge was paid in 1998.

As a result of a plan adopted in connection with a 1997 review of the Company's retail businesses and investments as well as implementation of initiatives intended to promote and strengthen the Company's various retail brands (including closing businesses, identification and disposal of noncore assets and identification of store locations not consistent with a particular brand), the Company recognized special and nonrecurring charges of \$276 million during the fourth quarter of 1997 comprised of:

- . A \$68 million charge for the closing of the 118 store Cacique lingerie business effective January 31, 1998. The amount was comprised of write-offs and liquidations of store assets and accruals related to cancellations of merchandise on order and other exit costs such as severance, service contract termination fees and lease termination costs.

- . An \$82 million charge related to streamlining the Henri Bendel business from six stores to one store (the five stores were closed by August 1, 1998), write-offs of store assets, and accruals for contract cancellations and lease termination costs.

- . An \$86 million impaired asset charge related to the apparel businesses and Henri Bendel, covering certain store locations where the carrying values were permanently impaired.

- . A \$28 million accrual for closing and downsizing oversized stores, primarily within the Limited Stores, Lerner New York, Lane Bryant and Express businesses.

- . A \$12 million write-down to net realizable value of a real estate investment previously acquired in connection with closing and downsizing certain stores.

The \$276 million in special and nonrecurring charges were made up of the following components: 1) asset write-downs of \$67 million, all of which were taken in 1997; 2) impaired asset charges of \$86 million, all of which were taken in 1997; 3) other liabilities such as severance and cancellations of merchandise on order of \$16 million, all of which were paid in 1998; and 4) store closing and lease termination liabilities of \$107 million, of which \$32 million were paid in 1998, leaving a \$75 million liability at year-end.

The \$75 million liability under the 1997 plan relates principally to future payments and estimated settlement amounts for store closings and downsizings and will continue until final payments to landlords are made, currently scheduled through the year 2016. Unless settlements with landlords occur before the end of such lease periods, completion will run the full lease term. In determining the provision for lease obligations, the Company considered the amount of time remaining on each store's lease and estimated the amount necessary for either buying out the lease or continued rent payments.

The \$86 million impaired asset charge was in accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." As a result of the Company's strategic review process,

including the implementation of brand initiatives within individual businesses, updated analyses were prepared to determine if there was impairment of any long-lived assets. These analyses indicated that undiscounted future cash flows would be less than the carrying values of the respective assets. The revised carrying values of these assets were calculated on the basis of discounted cash flows. The impaired asset charge had no impact on the Company's 1997 or future cash flows. As a result of this charge, depreciation and amortization expense related to these assets will decrease in future periods.

No accruals related to these charges were reversed or recorded in operating income during 1998.

During the third quarter of 1997, the Company recognized a \$75.3 million gain in connection with the sale of 2.4 million shares of Brylane for \$46 per share, generating cash proceeds of \$108 million. This gain was partially offset by valuation adjustments of \$12.5 million on certain assets where the carrying values were permanently impaired.

In 1996, the Company recorded a \$12 million special and nonrecurring charge in connection with the April 1997 sale of Penhaligon's, a U.K.-based subsidiary of IBI.

4. Property and Equipment

| (Thousands) | 1998 | 1997 |
|---|-------------|-------------|
| Property and Equipment, At Cost | | |
| Land, buildings and improvements | \$411,483 | \$354,495 |
| Furniture, fixtures and equipment | 1,930,906 | 1,951,172 |
| Leaseholds and improvements | 563,217 | 539,047 |
| Construction in progress | 108,478 | 155,585 |
| Total | 3,014,084 | 3,000,299 |
| Less: accumulated depreciation and amortization | 1,652,323 | 1,584,387 |
| Property and equipment, net | \$1,361,761 | \$1,415,912 |

5. Leased Facilities, Commitments and Contingencies

Annual store rent is comprised of a fixed minimum amount, plus contingent rent based on a percentage of sales exceeding a stipulated amount. Store lease terms generally require additional payments covering taxes, common area costs and certain other expenses.

| (Thousands) | 1998 | 1997 | 1996 |
|---------------------|-----------|-----------|-----------|
| Rent Expense | | | |
| Fixed minimum | \$666,729 | \$714,995 | \$687,095 |
| Contingent | 39,642 | 32,918 | 25,341 |
| Total store rent | 706,371 | 747,913 | 712,436 |
| Equipment and other | 22,511 | 23,492 | 25,163 |
| Total rent expense | \$728,882 | \$771,405 | \$737,599 |

At January 30, 1999, the Company was committed to noncancelable leases with remaining terms generally from one to twenty years. A substantial portion of these commitments consists of store leases with initial terms ranging from ten to twenty years, with options to renew at varying terms.

| (Thousands) | |
|---|-----------|
| Minimum Rent Commitments Under Noncancelable Leases | |
| 1999 | \$643,828 |
| 2000 | 632,785 |
| 2001 | 602,868 |
| 2002 | 563,468 |
| 2003 | 502,880 |
| Thereafter | 1,427,862 |

The Company maintains an indirect 43% operating interest in a partnership that is developing the Easton Town Center in Columbus, Ohio. The Company is a co-guarantor on a \$110 million loan agreement to this partnership. The 1998 year-end loan balance was \$18.3 million.

6. Restricted Cash

At January 30, 1999, and January 31, 1998, Special Funding, Inc., a wholly-owned subsidiary of the Company, had \$351.6 million of restricted cash invested in short-term, highly liquid securities. This amount is classified as a noncurrent asset, because it has been reserved for use in the event that the Wexner Children's Trust, established by Leslie H. Wexner, the Company's principal shareholder, exercises its opportunity to require the Company to redeem, or the Company exercises its opportunity to redeem from the Trust, shares of The Limited, Inc. common stock in accordance with the terms of the Contingent Stock

Redemption Agreement (see Note 10). Interest earnings of \$17.9 million, \$18.6 million, and \$17.9 million in 1998, 1997 and 1996 on the segregated cash accrued to the Company.

7. Accrued Expenses

| (Thousands) | 1998 | 1997 |
|--|-----------|-----------|
| Accrued Expenses | | |
| Compensation, payroll taxes and benefits | \$157,785 | \$135,701 |
| Rent | 176,075 | 152,850 |
| Deferred revenue | 106,900 | 93,800 |
| Taxes, other than income | 46,413 | 42,321 |
| Interest | 21,057 | 21,129 |
| Other | 293,185 | 337,714 |
| Total | \$801,415 | \$783,515 |

8. Income Taxes

| (Thousands) | 1998 | 1997 | 1996 |
|----------------------------|-----------|-----------|-----------|
| Provision For Income Taxes | | | |
| Currently payable | | | |
| Federal | \$194,100 | \$304,300 | \$210,400 |
| State | 38,800 | 33,800 | 34,000 |
| Foreign | 4,500 | 3,700 | 2,400 |
| Total | 237,400 | 341,800 | 246,800 |
| Deferred | | | |
| Federal | 53,100 | (160,600) | (13,800) |
| State | 14,500 | (2,200) | 8,000 |
| Total | 67,600 | (162,800) | (5,800) |
| Total provision | \$305,000 | \$179,000 | \$241,000 |

The foreign component of pretax income, arising principally from overseas sourcing operations, was \$65.5 million, \$62.3 million and \$45.9 million in 1998, 1997 and 1996.

| | 1998 | 1997 | 1996 |
|--|-------|-------|-------|
| Reconciliation Between the Statutory Federal Income Tax Rate and the Effective Tax Rate | | | |
| Federal income tax rate | 35.0% | 35.0% | 35.0% |
| State income taxes, net of Federal income tax effect | 4.5% | 4.5% | 4.5% |
| Other items, net | .4% | .6% | .5% |
| Total | 39.9% | 40.1% | 40.0% |

The reconciliation between the statutory Federal income tax rate and the effective income tax rate on pretax earnings excludes the nontaxable gain from the split-off of A&F in May 1998, the nontaxable gain from sale of subsidiary stock in 1996, and minority interest.

| (Thousands) | 1998 | | | 1997 | | |
|---|-----------|--------------|-----------|-----------|--------------|------------|
| | Assets | Liabilities | Total | Assets | Liabilities | Total |
| Effect of Temporary Differences That Give Rise to Deferred Income Taxes | | | | | | |
| Tax under (over) book depreciation | \$16,300 | -- | \$16,300 | -- | \$ (1,400) | \$ (1,400) |
| Undistributed earnings of foreign affiliates | -- | \$ (104,900) | (104,900) | -- | (102,400) | (102,400) |
| Special and nonrecurring items | 63,200 | -- | 63,200 | \$99,200 | -- | 99,200 |
| Rent | 65,300 | -- | 65,300 | 62,100 | -- | 62,100 |
| Inventory | 22,100 | -- | 22,100 | 43,700 | -- | 43,700 |
| Investments in affiliates | -- | (28,000) | (28,000) | -- | (24,900) | (24,900) |
| State income taxes | 27,700 | -- | 27,700 | 24,900 | -- | 24,900 |
| Other | 48,200 | (24,400) | 23,800 | 61,700 | -- | 61,700 |
| Total deferred income taxes | \$242,800 | \$ (157,300) | \$85,500 | \$291,600 | \$ (128,700) | \$162,900 |

Income taxes payable included net current deferred tax assets of \$36.7 million and \$106.3 million at January 30, 1999 and January 31, 1998.

Income tax payments were \$241.7 million, \$410.8 million and \$233.8 million for 1998, 1997 and 1996.

The Internal Revenue Service has assessed the Company for additional taxes and interest for the years 1992 to 1994 relating to the treatment of transactions involving the Company's foreign operations for which the Company has provided deferred taxes on the undistributed earnings of foreign affiliates. The Company strongly disagrees with the assessment and is vigorously contesting the matter. Management believes resolution of this matter will not have a material adverse effect on the Company's results of operations or financial condition.

9. Long-Term Debt

| (Thousands) | 1998 | 1997 |
|----------------------------------|-----------|-----------|
| Unsecured Long-Term Debt | | |
| 7 1/2% Debentures due March 2023 | \$250,000 | \$250,000 |
| 7 4/5% Notes due May 2002 | 150,000 | 150,000 |
| 9 1/8% Notes due February 2001 | 150,000 | 150,000 |
| 8 7/8% Notes due August 1999 | 100,000 | 100,000 |
| | 650,000 | 650,000 |
| Less: current portion of | | |

| | | |
|----------------|-----------|-----------|
| long-term debt | 100,000 | -- |
| Total | \$550,000 | \$650,000 |

The Company maintains a \$1 billion unsecured credit agreement (the "Agreement"), established on September 29, 1997 (the "Effective Date"). Borrowings outstanding under the Agreement are due September 28, 2002. However, the revolving term of the Agreement may be extended an additional two years upon notification by the Company on the second and fourth anniversaries of the Effective Date, subject to the approval of the lending banks. The Agreement has several borrowing options, including interest rates that are based on either the lender's "Base Rate," as defined, LIBOR, CD-based options or at a rate submitted under a bidding process. Facilities fees payable under the Agreement are based on the Company's long-term credit ratings, and currently approximate 0.1% of the committed amount per annum.

The Agreement contains covenants relating to the Company's working capital, debt and net worth. No amounts were outstanding under the Agreement at January 30, 1999.

The Agreement supports the Company's commercial paper program, which is used from time to time to fund working capital and other general corporate requirements. No commercial paper was outstanding at January 30, 1999.

Up to \$250 million of debt securities and warrants to purchase debt securities may be issued under the Company's shelf registration statement.

The Company periodically enters into interest rate swap agreements with the intent to manage interest rate exposure. At January 30, 1999, the Company had an interest rate swap position of \$100 million notional principal amount outstanding. This contract effectively changed the Company's interest rate exposure on \$100 million of variable rate debt to a fixed rate of 8.09% through July 2000.

Interest paid was \$68.6 million, \$69.1 million and \$65.5 million in 1998, 1997 and 1996.

10. Contingent Stock Redemption Agreement

On March 17, 1996, the Company purchased from shareholders, via a self-tender offer, 85 million shares of The Limited, Inc. common stock for \$1.615 billion. Leslie H. Wexner, Chairman and CEO of the Company, as well as the Company's founder and principal shareholder, did not participate in the self-tender. However, the Company entered into an agreement, as amended in 1996, which provides the Wexner Children's Trust (the "Trust") the opportunity, commencing on February 1, 1998, and for a period of eight years thereafter (the exercise period), to require the Company to redeem up to 18.75 million shares for a price per share equal to \$18.75 (a price equal to the price per share paid in the self-tender less \$.25 per share). Under certain circum-

stances, lenders to the Trust, if any, also may exercise this opportunity. The Company received the opportunity to redeem an equivalent number of shares from the Trust at \$25.07 per share for a period beginning on July 31, 2006, and for six months thereafter. As a result of these events, the Company has transferred \$351.6 million to temporary equity identified as Contingent Stock Redemption Agreement in the Consolidated Balance Sheets. In addition, approximately \$351.6 million has been designated as restricted cash to consummate either of the above rights (see Note 6). The terms of this agreement were approved by the Company's Board of Directors.

11. Stock Options and Restricted Stock

Under the Company's stock plans, associates may be granted up to a total of 29.8 million restricted shares and options to purchase the Company's common stock at the market price on the date of grant. Options generally vest 25% per year over the first four years of the grant. Of the options granted, 2.3 million options in 1998 and 5.6 million options in 1997 had graduated vesting schedules over six years. Virtually all options have a maximum term of ten years.

Under separate IBI stock plans, IBI associates may be granted up to a total of 18.4 million restricted shares and options to purchase IBI's common stock at the market price on the date of grant. As of January 30, 1999, options to purchase 5.8 million IBI shares were outstanding, of which 926,000 options were exercisable. Under these plans, options generally vest over periods from four to six years.

The Company adopted the disclosure requirements of SFAS No. 123, "Accounting for Stock-Based Compensation," effective with the 1996 financial statements, but elected to continue to measure compensation expense in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly, no compensation expense for stock options has been recognized. If compensation expense had been determined based on the estimated fair value of options granted since 1995, consistent with the methodology in SFAS No. 123, the pro forma effects on net income and earnings per share, including the impact of options issued by IBI (and A&F in 1997 and 1996), would have been a reduction of approximately \$13.9 million or \$.06 per share in 1998, \$11.4 million or \$.04 per share in 1997, and \$4.0 million or \$.01 per share in 1996.

The weighted-average per share fair value of options granted (\$8.32, \$5.79 and \$4.72 during 1998, 1997 and 1996) was used to calculate the pro forma compensation expense. The fair value was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions for 1998, 1997 and 1996: dividend yields of 2.2%, 2.8% and 2.8%; volatility of 29%, 27% and 31%; risk-free interest rates of 5%, 6% and 5.25%; assumed forfeiture rates of 20%, 15% and 20%; and expected lives of 6.3 years, 6.5 years and 5 years. The pro forma effect on net income for 1997 and 1996 is not representative of the pro forma effect on net income in future years because it does not take into consideration pro forma compensation expense related to grants made prior to 1995.

Restricted Shares

Approximately 858,000, 2,120,000 and 468,000 restricted Limited shares were granted in 1998, 1997 and 1996, with market values at date of grant of \$27.4 million, \$43.9 million and \$8.3 million. Restricted shares generally vest either on a graduated scale over four years or 100% at the end of a fixed vesting period, principally five years. In 1997, 1.7 million restricted shares were granted with a graduated vesting schedule over six years. These grants included 685,000 restricted shares with performance requirements, all of which have been met.

Additionally, the expense recognized from the issuance of IBI and A&F restricted stock grants impacted the Company's consolidated results. IBI granted 425,000, 1,514,000 and 177,000 restricted shares in 1998, 1997 and 1996. A&F granted 540,000 and 50,000 restricted shares in 1997 and 1996. Vesting terms for the IBI restricted shares are similar to those of The Limited. The market value of restricted shares is being amortized as compensation expense over the vesting period, generally four to six years. Compensation expense related to restricted stock awards, including expense related to awards granted at IBI (and A&F in 1997 and 1996), amounted to \$31.3 million in 1998, \$29.0 million in 1997 and \$9.1 million in 1996.

----- Stock Options Outstanding at January 30, 1999

| Range of Exercise Prices | Options Outstanding | | Options Exercisable | | |
|--------------------------|---------------------|---|---------------------------------|--------------------|---------------------------------|
| | Number Outstanding | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price | Number Exercisable | Weighted Average Exercise Price |
| \$14 - \$17 | 2,823,000 | 6.2 | \$17 | 1,529,000 | \$17 |
| \$18 - \$22 | 6,362,000 | 7.7 | \$20 | 1,499,000 | \$21 |
| \$23 - \$27 | 3,319,000 | 8.0 | \$26 | 593,000 | \$24 |
| \$28 - \$33 | 345,000 | 9.3 | \$30 | -- | -- |
| \$14 - \$34 | 2,074,000 | 7.5 | \$21 | 833,000 | \$19 |
| \$14 - \$34 | 14,923,000 | 7.5 | \$21 | 4,454,000 | \$20 |

| | Number of Shares | Weighted Average Option Price Per Share |
|------------------------------------|---------------------|---|
| Stock Option Activity | | |
| 1996 | | |
| Outstanding at beginning of year | 9,142,000 | \$ 19.32 |
| Granted | 1,899,000 | 17.30 |
| Exercised | (531,000) | 14.89 |
| Canceled | (1,311,000) | 19.45 |
| Outstanding at end of year | 9,199,000 | \$ 19.14 |
| Options exercisable at end of year | 5,249,000 | \$ 20.24 |

| | | |
|------------------------------------|-------------|----------|
| 1997 | | |
| Outstanding at beginning of year | 9,199,000 | \$ 19.14 |
| Granted | 7,331,000 | 20.02 |
| Exercised | (1,377,000) | 17.70 |
| Canceled | (1,083,000) | 19.64 |
| Outstanding at end of year | 14,070,000 | \$ 19.70 |
| Options exercisable at end of year | 4,907,000 | \$ 19.89 |

| | | |
|------------------------------------|-------------|----------|
| 1998 | | |
| Outstanding at beginning of year | 14,070,000 | \$ 19.70 |
| Granted | 3,885,000 | 26.32 |
| Exercised | (2,439,000) | 18.62 |
| Canceled | (593,000) | 24.26 |
| Outstanding at end of year | 14,923,000 | \$ 21.42 |
| Options exercisable at end of year | 4,454,000 | \$ 19.57 |

12. Retirement Benefits

The Company sponsors a qualified defined contribution retirement plan and a nonqualified supplemental retirement plan. Participation in the qualified plan is available to all associates who have completed 1,000 or more hours of service with the Company during certain 12-month periods and attained the age of 21. Participation in the nonqualified plan is subject to service and compensation requirements. Company contributions to these plans are based on a percentage of associates' eligible annual compensation. The cost of these plans was \$40.4 million in 1998, \$36.4 million in 1997 and \$36.2 million in 1996.

13. Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value.

Current Assets, Liabilities and Restricted Cash

The carrying value of cash equivalents, restricted cash, accounts receivable, accounts payable, current portion of long-term debt, and accrued expenses approximates fair value because of their short maturity.

Long-Term Debt

The fair value of the Company's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities.

Interest Rate Swap Agreement

The fair value of the interest rate swap is the estimated amount that the Company would receive or pay to terminate the swap agreement at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparty.

| (Thousands) | 1998 | | 1997 | |
|--|-----------------|--------------|-----------------|--------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Estimated Fair Values of the Company's Financial Instruments | | | | |
| Long-term debt | \$ (550,000) | \$ (561,594) | \$ (650,000) | \$ (667,391) |
| Interest rate swap | \$ (96) | \$ (3,896) | \$ (328) | \$ (5,345) |

14. Segment Information

The Company has adopted SFAS No. 131. "Disclosures about Segments of an Enterprise and Related Information." The Company determines operating segments based on a business's operating characteristics. Reportable segments were determined based on similar economic characteristics, the nature of products and services, and the method of distribution. The apparel segment derives its revenues from sales of women's, men's and children's apparel. The Intimate Brands segment derives its revenues from sales of women's intimate and other apparel, and personal care products and accessories. Sales outside the United States were insignificant.

The Company and IBI have entered into intercompany agreements for services that include merchandise purchases, capital expenditures, real estate management and leasing, inbound and outbound transportation and corporate services. These agreements specify that identifiable costs be passed through to IBI and that other services-related costs be allocated in accordance with the intercompany agreement. Costs are passed through and allocated to the apparel businesses in a similar manner.

| (Thousands) | Apparel Businesses | Intimate Brands | Other | Reconciling Items | Total |
|-------------------------------|--------------------|-----------------|-----------|-------------------|-------------|
| Segment Information | | | | | |
| 1998 | | | | | |
| Net sales | \$5,044,972 | \$3,885,753 | \$416,186 | -- | \$9,346,911 |
| Intersegment sales | 401,309 | -- | -- | *\$(401,309) | -- |
| Depreciation and amortization | 136,491 | 101,221 | 48,288 | -- | 286,000 |
| Operating income (loss) | (13,926) | 670,849 | 27,420 | #1,740,030 | 2,424,373 |
| Total assets | 1,270,059 | 1,448,077 | 1,825,712 | @5,860 | 4,549,708 |

| | | | | | |
|-------------------------------|-------------|-------------|-----------|--------------|-------------|
| Capital expenditures | 82,989 | 121,543 | 142,824 | -- | 347,356 |
| 1997 | | | | | |
| Net sales | \$4,806,450 | \$3,617,856 | \$764,498 | -- | \$9,188,804 |
| Intersegment sales | 452,903 | -- | -- | *\$(452,903) | -- |
| Depreciation and amortization | 146,929 | 106,197 | 60,166 | -- | 313,292 |
| Operating income | 44,204 | 563,152 | 88,358 | +(226,215) | 469,499 |
| Total assets | 1,121,237 | 1,347,700 | 1,844,281 | @(12,457) | 4,300,761 |
| Capital expenditures | 78,481 | 124,275 | 160,084 | -- | 362,840 |
| 1996 | | | | | |
| Net sales | \$5,113,076 | \$2,997,340 | \$534,375 | -- | \$8,644,791 |
| Intersegment sales | 427,861 | -- | -- | *\$(427,861) | -- |
| Depreciation and amortization | 153,929 | 85,573 | 50,141 | -- | 289,643 |
| Operating income | 157,443 | 468,242 | 22,082 | ++(12,000) | 635,767 |
| Total assets | 1,323,176 | 1,135,162 | 1,661,664 | -- | 4,120,002 |
| Capital expenditures | 100,371 | 123,630 | 137,201 | -- | 361,202 |

Included in the "Other" category are Galyan's Trading Co., Henri Bendel, A&F (through May 19, 1998), noncore real estate, and corporate, none of which are significant operating segments.

* Represents intersegment sales elimination.

1998 special and nonrecurring items: 1) a \$1.651 billion tax-free gain on the split-off of A&F; 2) a \$93.7 million gain from the sale of the Company's remaining interest in Brylane; and 3) a \$5.1 million charge for severance and other associate termination costs related to the closing of Henri Bendel stores. These special items relate to the "Other" category.

@ Represents intersegment receivable/payable elimination.

+ 1997 special and nonrecurring items: 1) an \$89.0 million charge for the apparel businesses related to asset impairment and the closing and downsizing of certain stores; 2) a \$67.6 million charge for Intimate Brands related to the closing of the Cacique business (effective January 31, 1998); and 3) a \$107.4 million charge related to the closing of five of six Henri Bendel stores, \$62.8 million of income related to the gain from the sale of approximately one-half of the Company's interest in Brylane (net of a \$12.5 million valuation adjustment on an investment), and a \$12.0 million write-down of a real estate investment to net realizable value, all of which relate to the "Other" category. Additionally, includes a \$13.0 million inventory liquidation charge associated with the Henri Bendel closings.

++ 1996 special and nonrecurring item: a \$12.0 million charge for revaluation of certain assets in connection with Intimate Brands' April 1997 sale of Penhaligon's.

15. Quarterly Financial Data (Unaudited)

Summarized quarterly financial results for 1998 and 1997 (thousands except per share amounts)

| 1998 Quarters | First | Second | Third | Fourth |
|--|-------------|-------------|-------------|-------------|
| As Restated (+): | | | | |
| Net sales | \$2,008,077 | \$2,083,101 | \$1,999,862 | \$3,255,871 |
| Costs of goods sold, occupancy and buying costs | (1,426,422) | (1,473,517) | (1,390,684) | (2,085,028) |
| Gross income | 581,655 | 609,584 | 609,178 | 1,170,843 |
| General, administrative and store operating expenses | (507,208) | (526,106) | (526,992) | (726,611) |
| Special and nonrecurring items, net | 88,633 | 1,651,397 | -- | -- |
| Operating income | 163,080 | 1,734,875 | 82,186 | 444,232 |
| Minority interest | (8,833) | (12,988) | (6,080) | (35,715) |
| Income before income taxes | 154,659 | 1,721,068 | 71,593 | 404,174 |
| Provision for income taxes | 65,000 | 33,000 | 31,000 | 176,000 |
| Net income | 89,659 | 1,688,068 | 40,593 | 228,174 |
| Net income per share: | | | | |
| Basic | \$0.33 | \$7.15 | \$0.18 | \$1.01 |
| Diluted | 0.32 | 6.94 | 0.17 | 0.97 |
| As Previously Reported: | | | | |
| Net sales | \$2,008,077 | \$2,083,101 | \$1,999,862 | \$3,255,871 |
| Costs of goods sold, occupancy and buying costs | (1,421,407) | (1,468,387) | (1,383,119) | (2,076,032) |
| Gross income | 586,670 | 614,714 | 616,743 | 1,179,839 |
| General, administrative and store operating expenses | (530,323) | (538,336) | (535,757) | (696,107) |
| Special and nonrecurring items | 88,633 | 1,651,397 | -- | -- |
| Operating income | 144,980 | 1,727,775 | 80,986 | 483,732 |
| Minority interest | (7,923) | (12,618) | (6,118) | (37,905) |
| Income before income taxes | 137,469 | 1,714,338 | 70,355 | 441,484 |
| Provision for income taxes | 58,000 | 30,000 | 31,000 | 191,000 |
| Net income | 79,469 | 1,684,338 | 39,355 | 250,484 |
| Net income per share: | | | | |
| Basic | \$0.29 | \$7.13 | \$0.17 | \$1.11 |
| Diluted | 0.28 | 6.93 | 0.17 | 1.07 |

Special and nonrecurring items in 1998 included a \$93.7 million gain in the first quarter from the sale of the Company's remaining interest in Brylane, a 26% owned (post-IPO) catalogue retailer, a \$5.1 million charge in the first quarter for severance and other associate termination costs related to the closing of Henri Bendel stores, and a \$1.651 billion tax-free gain in the second quarter on the split-off of A&F.

| 1997 Quarters | First | Second | Third | Fourth |
|--|-------------|-------------|-------------|-------------|
| As Restated (+): | | | | |
| Net sales | \$1,829,780 | \$2,020,084 | \$2,070,559 | \$3,268,381 |
| Costs of goods sold, occupancy and buying costs | (1,332,892) | (1,485,477) | (1,455,523) | (2,119,430) |
| Gross income | 496,888 | 534,607 | 615,036 | 1,148,951 |
| General, administrative and store operating expenses | (432,264) | (455,947) | (519,904) | (704,653) |
| Special and nonrecurring items, net | -- | -- | 62,785 | (276,000) |
| Operating income | 64,624 | 78,660 | 157,917 | 168,298 |
| Minority interest | 6,339 | 10,916 | 7,479 | 30,876 |
| Gain on sale of subsidiary stock | 8,606 | -- | -- | -- |
| Income before income taxes | 59,181 | 58,290 | 138,734 | 134,448 |
| Provision for income taxes | 26,000 | 27,000 | 59,000 | 67,000 |
| Net income | 33,181 | 31,290 | 79,734 | 67,448 |
| Net income per share: | | | | |
| Basic | \$0.12 | \$0.12 | \$0.29 | \$0.25 |
| Diluted | 0.12 | 0.11 | 0.29 | 0.24 |
| As Previously Reported: | | | | |
| Net sales | \$1,829,780 | \$2,020,084 | \$2,070,559 | \$3,268,381 |
| Costs of goods sold, occupancy and buying costs | (1,328,309) | (1,481,177) | (1,449,577) | (2,111,764) |
| Gross income | 501,471 | 538,907 | 620,982 | 1,156,617 |
| General, administrative and store operating expenses | (451,847) | (466,247) | (525,750) | (680,819) |
| Special and nonrecurring items | -- | -- | 62,785 | (276,000) |
| Operating income | 49,624 | 72,660 | 158,017 | 199,798 |
| Minority interest | 5,647 | 10,632 | 7,631 | 32,563 |
| Gain on sale of subsidiary stock | 8,606 | -- | -- | -- |
| Income before income taxes | 44,873 | 52,574 | 138,682 | 164,261 |
| Provision for income taxes | 20,000 | 25,000 | 59,000 | 79,000 |
| Net income | 24,873 | 27,574 | 79,682 | 85,261 |
| Net income per share: | | | | |
| Basic | \$0.09 | \$0.10 | \$0.29 | \$0.31 |
| Diluted | 0.09 | 0.10 | 0.29 | 0.31 |

(+) The Company changed its accounting for gift certificates, store credits and layaway sales (see Note 2). The Company has given retroactive effect to this accounting change by restating its previously issued financial statements.

In 1997, gains in connection with initial public offerings included an \$8.6 million gain in the first quarter in connection with the Company's ownership portion of Brylane. Special charges included \$276 million in special and nonrecurring items and an additional \$13 million in inventory liquidation charges during the fourth quarter, and a net \$62.8 million gain during the third quarter relating to the sale of approximately one-half of the Company's investment in Brylane (net of a \$12.5 million valuation charge on an investment).

MARKET PRICE AND DIVIDEND INFORMATION

| | Market Price | | Cash Dividend |
|----------------------|--------------|-----------|---------------|
| | High | Low | Per Share |
| Fiscal Year End 1998 | | | |
| 4th quarter | \$34 1/8 | \$25 5/16 | \$0.13 |
| 3rd quarter | 27 3/16 | 20 7/8 | 0.13 |
| 2nd quarter | 36 1/4 | 26 13/16 | 0.13 |
| 1st quarter | 33 7/8 | 27 1/8 | 0.13 |
| Fiscal Year End 1997 | | | |
| 4th quarter | \$27 1/4 | \$23 9/16 | \$0.12 |
| 3rd quarter | 25 1/2 | 21 3/8 | 0.12 |
| 2nd quarter | 22 5/16 | 18 5/8 | 0.12 |
| 1st quarter | 20 1/8 | 17 | 0.12 |

The Company's common stock is traded on the New York Stock Exchange ("LTD") and the London Stock Exchange. On January 30, 1999, there were approximately 82,000 shareholders of record. However, when including active associates who participate in the Company's stock purchase plan, associates who own shares through Company-sponsored retirement plans and others holding shares in broker accounts under street names, the Company estimates the shareholder base to be approximately 260,000.

REPORT OF INDEPENDENT ACCOUNTANTS

To The Board of Directors and Shareholders of The Limited, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, shareholders' equity, and cash flows present fairly, in all material respects, the consolidated financial position of The Limited, Inc. and its subsidiaries at January 30, 1999 and January 31, 1998, and the consolidated results of their operations and their cash flows for each of the three fiscal years in the period ended January 30, 1999 in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these consolidated statements in accordance with generally accepted auditing standards which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

The consolidated financial statements for each of the three years in the period ended January 30, 1999 have been restated as described in Note 2.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Columbus, Ohio
February 23, 1999, except for the information in Note 2 as to which date is February 16, 2000.

SUBSIDIARIES OF THE REGISTRANT

| Subsidiaries (a) ----- | Jurisdiction of Incorporation ----- |
|---|---|
| Express, LLC (b) | Delaware |
| Lerner New York, Inc. (c) | Delaware |
| Lane Bryant, Inc. (d) | Delaware |
| The Limited Stores, Inc. (e) | Delaware |
| Henri Bendel, Inc. (f) | Delaware |
| Structure, Inc. (g) | Delaware |
| Limited Too, Inc. (h) | Delaware |
| Galyan's Trading Company, Inc. (i) | Indiana |
| Mast Industries, Inc. (j) | Delaware |
| Mast Industries (Far East) Limited (k) | Hong Kong |
| Limited Distribution Services, Inc. (l) | Delaware |
| Limited Service Corporation (m) | Delaware |
| Womanco Service Corporation (n) | Delaware |
| Victoria's Secret Stores, Inc. (o) | Delaware |
| Victoria's Secret Catalogue , LLC (p) | Delaware |
| Bath & Body Works, Inc. (q) | Delaware |
| Gryphon Development, Inc. (r) | Delaware |
| Intimate Brands Service Corporation (s) | Delaware |
| Intimate Brands, Inc. (t) | Delaware |

-
- (a) The names of certain subsidiaries are omitted since such unnamed subsidiaries, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary as of January 30, 1999.
- (b) Express, LLC is a wholly-owned subsidiary of Womanco, Inc., a Delaware corporation and a wholly-owned subsidiary of the registrant.
- (c) Lerner New York, Inc. is a wholly-owned subsidiary of Womanco, Inc., a Delaware corporation and a wholly-owned subsidiary of the registrant.
- (d) Lane Bryant, Inc. is a wholly-owned subsidiary of Womanco, Inc., a Delaware corporation and a wholly-owned subsidiary of the registrant.
- (e) The Limited Stores, Inc. is a wholly-owned subsidiary of Womanco, Inc., a Delaware corporation and a wholly-owned subsidiary of the registrant.
- (f) Henri Bendel, Inc. is a wholly-owned subsidiary of Womanco, Inc., a Delaware corporation and a wholly-owned subsidiary of the registrant.
- (g) Structure, Inc. is a wholly-owned subsidiary of the registrant.
- (h) Limited Too, Inc. is a wholly-owned subsidiary of the registrant.
- (i) Galyan's Trading Company, Inc. is a wholly-owned subsidiary of the registrant.
- (j) Mast Industries, Inc. is a wholly-owned subsidiary of Mast Industries (Delaware), Inc., a Delaware corporation and a wholly-owned subsidiary of the registrant.
- (k) Mast Industries (Far East) Limited is a wholly-owned subsidiary of Mast Industries (Overseas),

Inc., which is a wholly-owned subsidiary of Mast Industries, Inc.

- (l) Limited Distribution Services, Inc. is a wholly-owned subsidiary of LTDSP, Inc., a Delaware corporation and a wholly-owned subsidiary of the registrant.
- (m) Limited Service Corporation is a majority owned subsidiary of Mast Industries (Overseas), Inc.
- (n) Womanco Service Corporation is a wholly-owned subsidiary of Womanco, Inc., a Delaware corporation and a wholly-owned subsidiary of the registrant.
- (o) Victoria's Secret Stores, Inc. is a wholly-owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a majority owned subsidiary of the registrant.
- (p) Victoria's Secret Catalogue, LLC is a wholly-owned subsidiary of Victoria's Secret Catalogue Holding LLC, a Delaware limited liability company, which is a wholly-owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a majority owned subsidiary of the registrant.
- (q) Bath & Body Works, Inc. is a wholly-owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a majority owned subsidiary of the registrant.
- (r) Gryphon Development, Inc. is a wholly-owned subsidiary of Gryphon Holding Corporation, a Delaware corporation, which is a wholly-owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a majority owned subsidiary of the registrant.
- (s) Intimate Brands Service Corporation is a wholly-owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a majority owned subsidiary of the registrant.
- (t) Intimate Brands, Inc. is a majority owned subsidiary of the registrant.

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statements of The Limited, Inc. on Form S-8, Registration Nos. 33-18533, 33-25005, 2-92277, 33-24829, 33-24507, 33-24828, 2-95788, 2-88919, 33-24518, 33-6965, 33-14049, 33-22844, 33-44041, 33-49871, 333-04927, 333-04941 and the registration statements on Form S-3, Registration Nos. 33-20788, 33-31540, 33-42832 and 33-53366 and on Form S-4, Registration No. 333-46423 of our report dated February 23, 1999, except for the information in Note 2 as to which the date is February 16, 2000, on our audits of the consolidated financial statements of The Limited, Inc. and Subsidiaries as of January 30, 1999 and January 31, 1998 and for the fiscal years ended January 30, 1999, January 31, 1998, and February 1, 1997, which report is included in this Annual Report on Form 10-K/A.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Columbus, Ohio
February 16, 2000

POWER OF ATTORNEY
OFFICERS AND DIRECTORS OF
THE LIMITED, INC.

The undersigned officer and/or director of The Limited, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its fiscal year ended January 30, 1999 under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, DC, hereby constitutes and appoints Leslie H. Wexner and Kenneth B. Gilman, and each of them, with full powers of substitution and resubstitution, as attorney to sign for the undersigned in any and all capacities such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 29th day of January, 1999.

/s/ LESLIE H. WEXNER

Leslie H. Wexner

POWER OF ATTORNEY
OFFICERS AND DIRECTORS OF
THE LIMITED, INC.

The undersigned officer and/or director of The Limited, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its fiscal year ended January 30, 1999 under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, DC, hereby constitutes and appoints Leslie H. Wexner and Kenneth B. Gilman, and each of them, with full powers of substitution and resubstitution, as attorney to sign for the undersigned in any and all capacities such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 29th day of January, 1999.

/s/ V. ANN HAILEY

V. Ann Hailey

POWER OF ATTORNEY
OFFICERS AND DIRECTORS OF
THE LIMITED, INC.

The undersigned officer and/or director of The Limited, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its fiscal year ended January 30, 1999 under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, DC, hereby constitutes and appoints Leslie H. Wexner and Kenneth B. Gilman, and each of them, with full powers of substitution and resubstitution, as attorney to sign for the undersigned in any and all capacities such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 29th day of January, 1999.

/s/ ABIGAIL S. WEXNER

Abigail S. Wexner

POWER OF ATTORNEY
OFFICERS AND DIRECTORS OF
THE LIMITED, INC.

The undersigned officer and/or director of The Limited, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its fiscal year ended January 30, 1999 under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, DC, hereby constitutes and appoints Leslie H. Wexner and Kenneth B. Gilman, and each of them, with full powers of substitution and resubstitution, as attorney to sign for the undersigned in any and all capacities such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 29th day of January, 1999.

/s/ MARTIN TRUST

Martin Trust

POWER OF ATTORNEY
OFFICERS AND DIRECTORS OF
THE LIMITED, INC.

The undersigned officer and/or director of The Limited, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its fiscal year ended January 30, 1999 under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, DC, hereby constitutes and appoints Leslie H. Wexner and Kenneth B. Gilman, and each of them, with full powers of substitution and resubstitution, as attorney to sign for the undersigned in any and all capacities such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 29th day of January, 1999.

/s/ EUGENE M. FREEDMAN

Eugene M. Freedman

POWER OF ATTORNEY
OFFICERS AND DIRECTORS OF
THE LIMITED, INC.

The undersigned officer and/or director of The Limited, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its fiscal year ended January 30, 1999 under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, DC, hereby constitutes and appoints Leslie H. Wexner and Kenneth B. Gilman, and each of them, with full powers of substitution and resubstitution, as attorney to sign for the undersigned in any and all capacities such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 29th day of January, 1999.

/s/ E. GORDON GEE

E. Gordon Gee

POWER OF ATTORNEY
OFFICERS AND DIRECTORS OF
THE LIMITED, INC.

The undersigned officer and/or director of The Limited, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its fiscal year ended January 30, 1999 under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, DC, hereby constitutes and appoints Leslie H. Wexner and Kenneth B. Gilman, and each of them, with full powers of substitution and resubstitution, as attorney to sign for the undersigned in any and all capacities such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 29th day of January, 1999.

/s/ LEONARD A. SCHLESINGER

Leonard A. Schlesinger

POWER OF ATTORNEY
OFFICERS AND DIRECTORS OF
THE LIMITED, INC.

The undersigned officer and/or director of The Limited, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its fiscal year ended January 30, 1999 under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, DC, hereby constitutes and appoints Leslie H. Wexner and Kenneth B. Gilman, and each of them, with full powers of substitution and resubstitution, as attorney to sign for the undersigned in any and all capacities such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 29th day of January, 1999.

/s/ DAVID T. KOLLAT

David T. Kollat

POWER OF ATTORNEY
OFFICERS AND DIRECTORS OF
THE LIMITED, INC.

The undersigned officer and/or director of The Limited, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its fiscal year ended January 30, 1999 under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, DC, hereby constitutes and appoints Leslie H. Wexner and Kenneth B. Gilman, and each of them, with full powers of substitution and resubstitution, as attorney to sign for the undersigned in any and all capacities such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 29th day of January, 1999.

/s/ CLAUDINE MALONE

Claudine Malone

POWER OF ATTORNEY
OFFICERS AND DIRECTORS OF
THE LIMITED, INC.

The undersigned officer and/or director of The Limited, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its fiscal year ended January 30, 1999 under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, DC, hereby constitutes and appoints Leslie H. Wexner and Kenneth B. Gilman, and each of them, with full powers of substitution and resubstitution, as attorney to sign for the undersigned in any and all capacities such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 29th day of January, 1999.

/s/ DONALD B. SHACKELFORD

Donald B. Shackelford

POWER OF ATTORNEY
OFFICERS AND DIRECTORS OF
THE LIMITED, INC.

The undersigned officer and/or director of The Limited, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its fiscal year ended January 30, 1999 under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, DC, hereby constitutes and appoints Leslie H. Wexner and Kenneth B. Gilman, and each of them, with full powers of substitution and resubstitution, as attorney to sign for the undersigned in any and all capacities such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 29th day of January, 1999.

/s/ ALLAN R. TESSLER

Allan R. Tessler

POWER OF ATTORNEY
OFFICERS AND DIRECTORS OF
THE LIMITED, INC.

The undersigned officer and/or director of The Limited, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its fiscal year ended January 30, 1999 under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, DC, hereby constitutes and appoints Leslie H. Wexner and Kenneth B. Gilman, and each of them, with full powers of substitution and resubstitution, as attorney to sign for the undersigned in any and all capacities such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 29th day of January, 1999.

/s/ RAYMOND ZIMMERMAN

Raymond Zimmerman

POWER OF ATTORNEY
OFFICERS AND DIRECTORS OF
THE LIMITED, INC.

The undersigned officer and/or director of The Limited, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its fiscal year ended January 30, 1999 under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, DC, hereby constitutes and appoints Leslie H. Wexner and Kenneth B. Gilman, and each of them, with full powers of substitution and resubstitution, as attorney to sign for the undersigned in any and all capacities such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 29th day of January, 1999.

/s/ KENNETH B. GILMAN

Kenneth B. Gilman

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS OF THE LIMITED, INC. AND SUBSIDIARIES FOR THE YEAR ENDED JANUARY 30, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

THE COMPANY CHANGED ITS ACCOUNTING FOR GIFT CERTIFICATES, STORE CREDITS AND LAYAWAY SALES (SEE NOTE 2 TO THE CONSOLIDATED FINANCIAL STATEMENTS). THE COMPANY HAS GIVEN RETROACTIVE EFFECT TO THIS ACCOUNTING CHANGE BY RESTATING ITS PREVIOUSLY ISSUED FINANCIAL STATEMENTS BEGINNING WITH FISCAL 1996.

1,000

| YEAR | | |
|-----------|-------------|-----------|
| | JAN-30-1999 | |
| | FEB-01-1998 | |
| | JAN-30-1999 | 870,317 |
| | | 0 |
| | | 77,715 |
| | | 0 |
| | | 1,119,670 |
| | 2,306,879 | 3,014,084 |
| | | 1,652,323 |
| | | 4,549,708 |
| 1,319,635 | | 550,000 |
| | 0 | 0 |
| | | 180,352 |
| 4,549,708 | | 1,986,607 |
| | | 9,346,911 |
| | 9,346,911 | 6,375,651 |
| | | 6,375,651 |
| | 2,286,917 | 0 |
| | | 68,528 |
| | | 2,351,494 |
| | | 305,000 |
| 2,046,494 | | 0 |
| | 0 | 0 |
| | | 0 |
| | 2,046,494 | 8.50 |
| | | 8.29 |

Ary, Earman and Roepcke
Certified Public Accountants

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Plan Administrator of The Limited,
Inc. Savings and Retirement Plan:

We have audited the accompanying statements of net assets available for benefits of The Limited, Inc. Savings and Retirement Plan (the "Plan") as of December 31, 1998 and 1997, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 1998 and 1997, and the changes in net assets available for benefits for each of the years then ended, in conformity with generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of assets held for investment purposes at December 31, 1998 and reportable transactions in excess of 5% of the current value of plan assets for the year ended December 31, 1998, are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Ary, Earman and Roepcke

Columbus, Ohio,
February 16, 1999.

2929 Kenny Road, Suite 280, Columbus, Ohio 43221
(614) 459-3868 FAX (614) 459-0219

THE LIMITED, INC. SAVINGS AND RETIREMENT PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

DECEMBER 31, 1998

| | TOTAL | Limited Stock Fund | Fixed Income Fund | Index-500 Fund |
|---|----------------------|-----------------------|----------------------|----------------------|
| ASSETS | | | | |
| Investments, at Fair Value: | | | | |
| At Quoted Market Price: | | | | |
| Common Stock: | | | | |
| The Limited, Inc. | \$ 70,799,467 | \$70,799,467 | \$ - | \$ - |
| Intimate Brands, Inc. | 5,876,681 | - | - | - |
| Abercrombie & Fitch Co | 5,721,765 | - | - | - |
| Mutual Funds: | | | | |
| Vanguard Retirement Savings Trust Fund | 89,083,764 | - | 89,083,764 | - |
| Vanguard Index Trust 500 Portfolio | 98,041,511 | - | - | 98,041,511 |
| Vanguard U.S. Growth Portfolio | 86,327,108 | - | - | - |
| Vanguard Wellington Fund | 24,530,446 | - | - | - |
| At Estimated Value: | | | | |
| Common Collective Trust | 101,414 | 357 | 100,307 | - |
| Total Investments | 380,482,156 | 70,799,824 | 89,184,071 | 98,041,511 |
| Contribution Receivable from Employers | 25,548,732 | 1,590,209 | 10,942,273 | 5,475,740 |
| Receivable from Employers for Withheld Participants' | | | | |
| Contributions | 1,906,944 | 117,898 | 448,468 | 565,248 |
| Due from Brokers | 197,476 | 149,399 | - | - |
| Interfund Transfers | - | 11,546 | (52,641) | 14,808 |
| Accrued Interest and Dividends | 4,286 | 580 | 1,627 | 1,007 |
| Total Assets | 408,139,594 | 72,669,456 | 100,523,798 | 104,098,314 |
| LIABILITIES | | | | |
| Administrative Fees Payable | 86,807 | 24,554 | 9,463 | 8,650 |
| Due to Brokers | 673 | 345 | - | - |
| Total Liabilities | 87,480 | 24,899 | 9,463 | 8,650 |
| NET ASSETS AVAILABLE FOR BENEFITS | \$408,052,114 | \$72,644,557 | \$100,514,335 | \$104,089,664 |

| | U.S. Growth Fund | Wellington Fund | Intimate Brands Stock Fund | Abercrombie & Fitch Co. Stock Fund |
|---|---------------------|--------------------|----------------------------------|--|
| | ----- | ----- | ----- | ----- |
| ASSETS | | | | |
| ----- | | | | |
| Investments, at Fair Value: | | | | |
| At Quoted Market Price: | | | | |
| Common Stock: | | | | |
| The Limited, Inc. | \$ - | \$ - | \$ - | \$ - |
| Intimate Brands, Inc. | - | - | 5,876,681 | - |
| Abercrombie & Fitch Co | - | - | - | 5,721,765 |
| Mutual Funds: | | | | |
| Vanguard Retirement Savings Trust Fund | - | - | - | - |
| Vanguard Index Trust 500 Portfolio | - | - | - | - |
| Vanguard U.S. Growth Portfolio | 86,327,108 | - | - | - |
| Vanguard Wellington Fund | - | 24,530,446 | - | - |
| At Estimated Value: | | | | |
| Common Collective Trust | - | - | 345 | 405 |
| | ----- | ----- | ----- | ----- |
| Total Investments | 86,327,108 | 24,530,446 | 5,877,026 | 5,722,170 |
| Contribution Receivable from Employers | 4,604,275 | 2,153,489 | 782,746 | - |
| Receivable from Employers for Withheld Participants' | | | | |
| Contributions | 465,463 | 230,949 | 78,918 | - |
| Due from Brokers | - | - | 45,530 | 2,547 |
| Interfund Transfers | 24,857 | 18,149 | (12,825) | (3,894) |
| Accrued Interest and Dividends | 639 | 289 | 136 | 8 |
| | ----- | ----- | ----- | ----- |
| Total Assets | 91,422,342 | 26,933,322 | 6,771,531 | 5,720,831 |
| | ----- | ----- | ----- | ----- |
| LIABILITIES | | | | |
| ----- | | | | |
| Administrative Fees Payable | 44,140 | - | - | - |
| Due to Brokers | - | - | 328 | - |
| | ----- | ----- | ----- | ----- |
| Total Liabilities | 44,140 | - | 328 | - |
| | ----- | ----- | ----- | ----- |
| NET ASSETS AVAILABLE FOR BENEFITS | \$91,378,202 | \$26,933,322 | \$ 6,771,203 | \$ 5,720,831 |
| | ===== | ===== | ===== | ===== |

The accompanying notes are an integral part of this financial statement.

THE LIMITED, INC. SAVINGS AND RETIREMENT PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

DECEMBER 31, 1997

| | TOTAL | Limited Stock Fund | Fixed Income Fund | Index-500 Fund |
|---|----------------------|-----------------------|----------------------|---------------------|
| ASSETS | | | | |
| Investments, at Fair Value: | | | | |
| At Quoted Market Price: | | | | |
| Common Stock: | | | | |
| The Limited, Inc. | \$ 68,513,782 | \$68,513,782 | \$ - | \$ - |
| Intimate Brands, Inc. | 3,027,342 | - | - | - |
| Mutual Funds: | | | | |
| Vanguard Investment Contract Trust | 88,164,291 | - | 88,164,291 | - |
| Vanguard Index Trust - 500 Portfolio | 75,764,074 | - | - | 75,764,074 |
| Vanguard U.S. Growth Portfolio | 62,996,962 | - | - | - |
| Vanguard Wellington Fund | 19,115,007 | - | - | - |
| At Estimated Value: | | | | |
| Common Collective Trust | 308 | 241 | - | - |
| Total Investments | 317,581,766 | 68,514,023 | 88,164,291 | 75,764,074 |
| Contribution Receivable from Employers | 22,644,974 | 1,372,671 | 10,275,136 | 4,632,422 |
| Receivable from Employers for Withheld Participants' Contributions | 1,395,711 | 91,947 | 391,319 | 391,168 |
| Due from Brokers | 1,655,464 | 1,543,543 | - | - |
| Interfund Transfers | - | 858,585 | (35,679) | 3,698 |
| Cash | 417,865 | - | 368,110 | 49,755 |
| Accrued Interest and Dividends | 4,297 | 693 | 1,410 | 1,086 |
| Other | 2,470 | - | 2,470 | - |
| Total Assets | 343,702,547 | 72,381,462 | 99,167,057 | 80,842,203 |
| LIABILITIES | | | | |
| Cash Overdraft | 418,897 | - | - | - |
| Administrative Fees Payable | 218,952 | 85,121 | - | - |
| Total Liabilities | 637,849 | 85,121 | - | - |
| NET ASSETS AVAILABLE FOR BENEFITS | \$343,064,698 | \$72,296,341 | \$99,167,057 | \$80,842,203 |

| | U.S. Growth Fund | Wellington Fund | Intimate Brands Stock Fund |
|---|---------------------|--------------------|----------------------------------|
| ASSETS | | | |
| Investments, at Fair Value: | | | |
| At Quoted Market Price: | | | |
| Common Stock: | | | |
| The Limited, Inc. | \$ - | \$ - | \$ - |
| Intimate Brands, Inc. | - | - | 3,027,342 |
| Mutual Funds: | | | |
| Vanguard Investment Contract Trust | - | - | - |
| Vanguard Index Trust - 500 Portfolio | - | - | - |
| Vanguard U.S. Growth Portfolio | 62,996,962 | - | - |
| Vanguard Wellington Fund | - | 19,115,007 | - |
| At Estimated Value: | | | |
| Common Collective Trust | - | - | 67 |
| Total Investments | 62,996,962 | 19,115,007 | 3,027,409 |
| Contribution Receivable from Employers | 3,993,277 | 1,928,218 | 443,250 |
| Receivable from Employers for Withheld Participants' Contributions | 333,773 | 156,157 | 31,347 |
| Due from Brokers | - | - | 111,921 |
| Interfund Transfers | (2,722) | (828,447) | 4,565 |
| Cash | - | - | - |
| Accrued Interest and Dividends | 769 | 166 | 173 |
| Other | - | - | - |
| Total Assets | 67,322,059 | 20,371,101 | 3,618,665 |

| LIABILITIES | ----- | ----- | ----- |
|-----------------------------------|--------------|--------------|--------------|
| Cash Overdraft | 36,843 | 382,054 | - |
| Administrative Fees Payable | 127,701 | 5,551 | 579 |
| | ----- | ----- | ----- |
| Total Liabilities | 164,544 | 387,605 | 579 |
| | ----- | ----- | ----- |
| NET ASSETS AVAILABLE FOR BENEFITS | \$67,157,515 | \$19,983,496 | \$ 3,618,086 |
| | ===== | ===== | ===== |

The accompanying notes are an integral part of this financial statement.

THE LIMITED, INC. SAVINGS AND RETIREMENT PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED DECEMBER 31, 1998

| | Total | Limited Stock Fund | Fixed Income Fund | Index-500 Fund |
|---|---------------|-----------------------|----------------------|-------------------|
| Investment Income: | | | | |
| Net Appreciation (Depreciation) in Fair Value of Investments | \$ 56,085,295 | \$ 9,237,871 | \$ - | \$ 20,820,362 |
| Mutual Funds' Earnings | 15,139,419 | - | 5,452,457 | 1,523,923 |
| Dividends | 1,415,407 | 1,319,274 | - | - |
| Common Collective Trust's Earnings | 69,440 | 10,386 | 24,585 | 15,438 |
| Total Investment Income | 72,709,561 | 10,567,531 | 5,477,042 | 22,359,723 |
| Contributions: | | | | |
| Employers | 36,425,460 | 2,274,483 | 14,169,692 | 8,450,499 |
| Participants | 20,557,157 | 1,264,604 | 4,992,762 | 6,073,286 |
| Total Contributions | 56,982,617 | 3,539,087 | 19,162,454 | 14,523,785 |
| Interfund Transfers | - | (5,047,007) | (5,085,523) | 3,791,862 |
| Administrative Expense | (869,548) | (148,065) | (267,737) | (257,344) |
| Benefits to Participants | (56,754,614) | (7,279,308) | (16,403,488) | (15,588,092) |
| Increase in Net Assets Available for Benefits | 72,068,016 | 1,632,238 | 2,882,748 | 24,829,934 |
| Transfer of Net Assets Available for Benefits to Plan of Former Affiliate | (7,080,600) | (1,284,022) | (1,535,470) | (1,582,473) |
| Beginning Net Assets Available for Benefits | 343,064,698 | 72,296,341 | 99,167,057 | 80,842,203 |
| Ending Net Assets Available for Benefits | \$408,052,114 | \$72,644,557 | \$100,514,335 | \$104,089,664 |

| | U.S. Growth Fund | Wellington Fund | Intimate Brands Stock Fund | Abercrombie & Fitch Co. Stock Fund |
|---|---------------------|--------------------|----------------------------------|--|
| Investment Income: | | | | |
| Net Appreciation (Depreciation) in Fair Value of Investments | \$ 19,999,819 | \$ (203,371) | \$ 1,010,617 | \$ 5,219,997 |
| Mutual Funds' Earnings | 5,429,608 | 2,733,431 | - | - |
| Dividends | - | - | 96,133 | - |
| Common Collective Trust's Earnings | 12,896 | 3,906 | 2,034 | 195 |
| Total Investment Income | 25,442,323 | 2,533,966 | 1,108,784 | 5,220,192 |
| Contributions: | | | | |
| Employers | 6,998,828 | 3,390,948 | 1,141,010 | - |
| Participants | 5,131,046 | 2,416,210 | 679,249 | - |
| Total Contributions | 12,129,874 | 5,807,158 | 1,820,259 | - |
| Interfund Transfers | 1,245,394 | 2,857,829 | 662,969 | 1,574,476 |
| Administrative Expense | (122,370) | (59,709) | (11,360) | (2,963) |
| Benefits to Participants | (12,559,377) | (3,865,228) | (370,431) | (688,690) |
| Increase in Net Assets Available for Benefits | 26,135,844 | 7,274,016 | 3,210,221 | 6,103,015 |
| Transfer of Net Assets Available for Benefits to Plan of Former Affiliate | (1,915,157) | (324,190) | (57,104) | (382,184) |
| Beginning Net Assets Available for Benefits | 67,157,515 | 19,983,496 | 3,618,086 | - |
| Ending Net Assets Available for Benefits | \$ 91,378,202 | \$26,933,322 | \$ 6,771,203 | \$ 5,720,831 |

=====

The accompanying notes are an integral part of this financial statement.

THE LIMITED, INC. SAVINGS AND RETIREMENT PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED DECEMBER 31, 1997

| | Total | Limited Stock Fund | Fixed Income Fund | Index-500 Fund |
|--|---------------------|-----------------------|----------------------------------|-------------------|
| Investment Income: | | | | |
| Net Appreciation in Fair Value of Investments | \$ 50,588,081 | \$20,451,530 | \$ - | \$17,411,774 |
| Mutual Funds' Earnings | 10,793,675 | - | 5,245,293 | 1,569,334 |
| Dividends | 1,474,398 | 1,422,393 | - | - |
| Common Collective Trust's Earnings | 88,904 | 10,449 | 41,272 | 18,262 |
| Total Investment Income | 62,945,058 | 21,884,372 | 5,286,565 | 18,999,370 |
| Contributions: | | | | |
| Employers | 32,697,039 | 1,963,696 | 15,507,190 | 6,371,651 |
| Participants | 18,024,880 | 1,322,245 | 5,226,156 | 4,897,686 |
| Total Contributions | 50,721,919 | 3,285,941 | 20,733,346 | 11,269,337 |
| Interfund Transfers | - | (6,914,328) | (1,840,989) | 3,344,531 |
| Administrative Expense | (892,874) | (204,971) | (261,763) | (203,185) |
| Benefits to Participants | (45,591,634) | (9,049,583) | (14,699,472) | (11,143,418) |
| Increase in Net Assets Available for Benefits | 67,182,469 | 9,001,431 | 9,217,687 | 22,266,635 |
| Beginning Net Assets Available for Benefits | 275,882,229 | 63,294,910 | 89,949,370 | 58,575,568 |
| Ending Net Assets Available for Benefits | \$343,064,698 | \$72,296,341 | \$99,167,057 | \$80,842,203 |
| | | | | |
| | U.S. Growth Fund | Wellington Fund | Intimate Brands Stock Fund | |
| Investment Income: | | | | |
| Net Appreciation in Fair Value of Investments | \$10,457,321 | \$ 1,631,686 | \$ 635,770 | |
| Mutual Funds' Earnings | 2,443,033 | 1,536,015 | - | |
| Dividends | - | - | 52,005 | |
| Common Collective Trust's Earnings | 14,531 | 2,544 | 1,846 | |
| Total Investment Income | 12,914,885 | 3,170,245 | 689,621 | |
| Contributions: | | | | |
| Employers | 5,370,568 | 2,879,631 | 604,303 | |
| Participants | 4,290,800 | 1,963,375 | 324,618 | |
| Total Contributions | 9,661,368 | 4,843,006 | 928,921 | |
| Interfund Transfers | 2,288,479 | 1,827,162 | 1,295,145 | |
| Administrative Expense | (174,289) | (42,505) | (6,161) | |
| Benefits to Participants | (8,344,965) | (2,030,715) | (323,481) | |
| Increase in Net Assets Available for Benefits | 16,345,478 | 7,767,193 | 2,584,045 | |
| Beginning Net Assets Available for Benefits | 50,812,037 | 12,216,303 | 1,034,041 | |
| Ending Net Assets Available for Benefits | \$67,157,515 | \$19,983,496 | \$ 3,618,086 | |

=====

The accompanying notes are an integral part of this financial statement.

NOTES TO FINANCIAL STATEMENTS

(1) DESCRIPTION OF THE PLAN

General

The Limited, Inc. Savings and Retirement Plan (the "Plan") is a defined contribution plan covering certain employees of The Limited, Inc. and its affiliates (the "Employers") who are at least 21 years of age and have completed 1,000 or more hours of service during their first consecutive twelve months of employment or any calendar year beginning in or after their first consecutive twelve months of employment. Certain employees of the Employers, who are covered by a collective bargaining agreement, are not eligible to participate in the Plan.

Effective January 1, 1997, the Plan allowed for the associates of Galyan's Trading Company, Inc. who met the eligibility requirements of the Plan, to participate in the Plan for purposes of electing voluntary tax-deferred contributions only. Effective February 1, 1998, associates of Galyan's electing to participate are eligible to receive allocations of Employers' contributions as noted below.

Effective October 1, 1997, the Plan's enrollment dates were changed from quarterly to monthly.

The Limited, Inc. owned 84.2% of the outstanding Common Stock of Abercrombie & Fitch Co. until the completion of a tax-free exchange offer (the "Exchange Offer") on May 19, 1998, establishing Abercrombie & Fitch Co. as an independent company and, as a result, Abercrombie & Fitch Co.'s associates are no longer participants in the Plan. Subsequent to the Exchange Offer, the net assets available for benefits allocated to the former participants employed by Abercrombie & Fitch Co. were transferred to the Abercrombie & Fitch Savings and Retirement Plan.

The Abercrombie & Fitch Co. Stock Fund was established due to the Exchange Offer. No additional contributions may be made to this fund.

The following description of the Plan provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA) as amended.

Contributions

Employer Contributions:

The Employers may provide a non-service related retirement contribution of 4% of annual compensation up to the Social Security wage base and 7% of annual compensation thereafter, and a service related retirement contribution of 1% of annual compensation for participants who have completed five or more years of vesting service as of the last day of the Plan year. Participants who complete 500 hours of service during the Plan year and are participants on the last day of the Plan year are eligible. The annual compensation of each participant taken into account under the Plan is limited to the maximum amount permitted under Section 401(a)(17) of the Internal Revenue Code. The annual compensation limit for the Plan year ended December 31, 1998, was \$160,000.

The Employers may also provide a matching contribution of 100% of the participant's voluntary contributions (50% for participants who are associates of Galyan's) up to 3% of the participant's total annual compensation.

Participant Voluntary Contributions:

A participant may elect to make a voluntary tax-deferred contribution of 1% to 6% of his or her annual compensation up to the maximum permitted under Section 402(g) of the Internal Revenue Code adjusted annually (\$10,000 at December 31, 1998). This voluntary tax-deferred contribution may be limited by Section 401(k) of the Internal Revenue Code.

Vesting

A participant is fully and immediately vested for voluntary and rollover contributions and is credited with a year of vesting service in the Employers' contributions for each Plan year that they are credited with at least 500 hours of service. A summary of vesting percentages in the Employers' contributions follows:

| Years of Vested Service | Percentage |
|-------------------------|------------|
| Less than 3 years | 0% |
| 3 years | 20 |
| 4 years | 40 |
| 5 years | 60 |
| 6 years | 80 |
| 7 years | 100 |

Payment Of Benefits

The full value of participants' accounts becomes payable upon retirement, disability, or death. Upon termination of employment for any other reason participants' accounts, to the extent vested, become payable. Those participants with vested account balances greater than \$5,000 have the option of leaving their accounts invested in the Plan until age 65. All benefits will be paid as a lump-sum distribution. Those participants holding shares of Employer Securities will have the option of receiving such amounts in whole shares of Employer Securities and cash for any fractional shares. Participants have the option of having their benefit paid directly to an eligible retirement plan specified by the participant.

A participant who is fully vested in his or her account and who has participated in the Plan for at least seven years may obtain an in-service withdrawal from their account based on the percentage amounts designated by the Plan. A participant may also request a hardship distribution due to an immediate and heavy financial need based on the terms of the Plan.

Amounts Allocated to Participants Withdrawn from the Plan

The vested portion of net assets available for benefits allocated to participants withdrawn from the plan as of December 31, 1998 and 1997, is set forth below:

| | 1998 | 1997 |
|------------------------------------|-------------|-------------|
| Limited Stock Fund | \$ 210,766 | \$ 377,704 |
| Fixed Income Fund | 611,899 | 645,142 |
| Index-500 Fund | 778,834 | 489,489 |
| U.S. Growth Fund | 605,616 | 409,316 |
| Wellington Fund | 159,863 | 128,102 |
| Intimate Brands Stock Fund | 15,785 | 12,002 |
| Abercrombie & Fitch Co. Stock Fund | 6,692 | - |
| | ----- | ----- |
| | \$2,389,455 | \$2,061,755 |
| | ===== | ===== |

Forfeitures

Forfeitures are used to reduce the Employers' required contributions.
Utilized forfeitures for 1998 and 1997, are set forth below:

| | 1998 | 1997 |
|----------------------------|-------------|-------------|
| Limited Stock Fund | \$ 172,668 | \$ 345,937 |
| Fixed Income Fund | 3,135,785 | 2,715,821 |
| Index-500 Fund | 1,292,792 | 1,240,275 |
| U.S. Growth Fund | 1,021,924 | 1,028,955 |
| Wellington Fund | 443,714 | 269,006 |
| Intimate Brands Stock Fund | 59,013 | 9,983 |
| | ----- | ----- |
| | \$6,125,896 | \$5,609,977 |
| | ===== | ===== |

Expenses

Brokerage fees, transfer taxes, and other expenses incurred in connection with the investment of the Plan's assets will be added to the cost of such investments or deducted from the proceeds thereof, as the case may be. Administrative expenses of the Plan will be paid from the Plan from earnings not allocated to participants' accounts. The remainder will be paid by the Employers, unless the Employers elect to pay more or all of such costs.

Tax Determination

The Plan obtained its latest determination letter on January 30, 1995, in which the Internal Revenue Service stated that the Plan, as amended and restated January 1, 1992 was in compliance with the applicable requirements of the Internal Revenue Code. The Plan has been amended since receiving the determination letter. However, the Plan administrator and the Plan's tax counsel believe that the Plan is designed and is currently being operated in compliance with the applicable requirements of the Internal Revenue Code. Accordingly, the following Federal income tax rules will apply to the Plan:

Voluntary tax-deferred contributions made under the Plan by a participant and contributions made by the Employers to participant accounts are generally not taxable until such amounts are distributed.

The participants are not subject to Federal income tax on interest, dividends, or gains in their particular accounts until distributed.

The foregoing is only a brief summary of certain tax implications and applies only to Federal tax regulations currently in effect.

(2) SUMMARY OF ACCOUNTING POLICIES

Basis of Accounting

The Plan's financial statements are prepared on the accrual basis of accounting. Assets of the Plan are valued at fair value. The preparation of the financial statements in conformity with generally accepted accounting principles requires the Plan's management to use estimates and assumptions that affect the accompanying financial statements and disclosures. Actual results could differ from these estimates.

Income Recognition

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Investment Valuation

Mutual funds are stated at fair value as determined by quoted market prices, which represents the net asset value of shares held by the Plan at year end. Common stock is valued as determined by quoted market price. The common collective trust, a money fund, uses an estimated value of one dollar per share.

Net Appreciation (Depreciation) in Fair Value of Investments

Net realized and unrealized appreciation (depreciation) is recorded in the accompanying statement of changes in net assets available for benefits as net appreciation (depreciation) in fair value of investments.

Benefit Payments

Benefits are recorded when paid.

Reclassification of Prior Year Information

Certain prior year information has been reclassified to conform with current year presentation.

(3) INVESTMENTS

The Plan's investments are held by The Chase Manhattan Bank, as trustee of the Plan. The following table presents balances for 1998 and 1997 for the Plan's current investment options. Investments that represent 5 percent or more of the Plan's net assets are separately identified.

| | 1998 | 1997 |
|--|---------------|---------------|
| | ----- | ----- |
| Investments at Fair Value as Determined by | | |
| Quoted Market Price: | | |
| Common Stock: | | |
| The Limited, Inc. | \$ 70,799,467 | \$ 68,513,782 |
| Other | 11,598,446 | 3,027,342 |
| Mutual Funds: | | |
| Vanguard Retirement Savings Trust Fund | 89,083,764 | - |
| Vanguard Investment Contract Trust | - | 88,164,291 |
| Vanguard Index Trust - 500 Portfolio | 98,041,511 | 75,764,074 |
| Vanguard U.S. Growth Portfolio | 86,327,108 | 62,996,962 |
| Vanguard Wellington Fund | 24,530,446 | 19,115,007 |
| | ----- | ----- |
| | 380,380,742 | 317,581,458 |
| Estimated Fair Value: | | |
| Common Collective Trust | 101,414 | 308 |
| | ----- | ----- |
| Total Investments at Fair Value | \$380,482,156 | \$317,581,766 |
| | ===== | ===== |

The Plan's investments (including investments bought, sold, and held during the year) appreciation in value for the years ended December 31, 1998 and 1997, is set forth below:

| | 1998 | 1997 |
|---|---------------|---------------|
| | ----- | ----- |
| Investments at Fair Value as Determined | | |
| By Quoted Market Price: | | |
| Mutual Funds | \$ 40,616,810 | \$ 29,500,781 |
| Common Stock | 15,468,485 | 21,087,300 |
| | ----- | ----- |
| Net Appreciation in Fair Value | \$ 56,085,295 | \$ 50,588,081 |
| | ===== | ===== |

Contributions under the Plan are invested in one of six investment funds:
 (1) The Limited Stock Fund, consisting of common stock of The Limited, Inc., a Delaware corporation (the "Issuer") and parent company of the Employers, (2) the Fixed Income Fund, which is invested in the Vanguard Retirement Savings Trust Fund which was exchanged for the prior investment in the Vanguard Investment Contract Trust, (3) the Index-500 Fund, which is invested in the Vanguard Index - 500 Portfolio, (4) the U.S. Growth Fund, which is invested in the Vanguard U.S. Growth Portfolio, (5) the Wellington Fund, which is invested in the Vanguard Wellington Fund, and (6) the Intimate Brands Stock Fund, consisting of common stock of Intimate Brands, Inc., a Delaware corporation and an 84.5% owned subsidiary of The Limited, Inc.

Participants' voluntary and Employers' contributions may be invested in any one or more of the funds, at the election of the participant.

Participants' may make or change an investment direction as of the first day of any month of the Plan year.

(4) PLAN ADMINISTRATION

The Plan is administered by a Committee, the members of which are appointed by the Board of Directors of the Employers.

(5) PLAN TERMINATION

Although the Employers have not expressed any intent to do so, the Employers have the right under the Plan to discontinue their contributions at any time. The Limited, Inc. has the right at any time, by action of its Board of Directors, to terminate the Plan subject to provisions of ERISA. Upon Plan termination or partial termination, participants will become fully vested in their accounts.

(6) RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of net assets available for benefits per the financial statements to Form 5500:

| | 1998 | 1997 |
|---|---------------|---------------|
| | ----- | ----- |
| Net Assets Available for Benefits | | |
| Per the Financial Statements | \$408,052,114 | \$343,064,698 |
| Amounts Allocated to Withdrawing Participants | (2,389,455) | (2,061,755) |
| | ----- | ----- |
| Net Assets Available for Benefits | | |
| Per Form 5500 | \$405,662,659 | \$341,002,943 |
| | ===== | ===== |

The following is a reconciliation of benefits paid to participants per the financial statements to Form 5500:

| | |
|--|---------------|
| Benefits Paid to Participants Per the Financial Statements | \$ 56,754,614 |
| Amounts Allocated to Withdrawing Participants: | |
| At December 31, 1998 | 2,389,455 |
| At December 31, 1997 | (2,061,755) |
| | ----- |
| Benefits Paid to Participants Per Form 5500 | \$ 57,082,314 |
| | ===== |

Amounts allocated to withdrawing participants are recorded on Form 5500 for benefit claims that have been processed and approved for payment prior to December 31 but not yet paid as of that date.

SCHEDULE I

THE LIMITED, INC. SAVINGS AND RETIREMENT PLAN

EIN #31-1048997 PLAN #002

ITEM 27a - SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES

DECEMBER 31, 1998

| Identity of Issue, Borrower, Lessor, or Similar Party | Description of Investment Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value | Cost | Current Value |
|--|--|---------------|------------------|
| * The Limited, Inc. | 2,430,883 Shares of Common Stock, Par Value \$0.50 | \$ 31,110,330 | \$ 70,799,467 |
| * Intimate Brands, Inc. | 196,709 Shares of Common Stock, Class A | 4,491,448 | 5,876,681 |
| Abercrombie & Fitch Co. | 80,873 Shares of Common Stock, Class A, Par Value \$0.01 | 1,215,436 | 5,721,765 |
| The Vanguard Group | 89,083,764 Shares of Vanguard Retirement Savings Trust Fund | 89,083,764 | 89,083,764 |
| The Vanguard Group | 860,391 Shares of Vanguard Index 500 Portfolio Fund | 58,699,848 | 98,041,511 |
| The Vanguard Group | 2,302,670 Shares of Vanguard World Fund, U.S. Growth Portfolio | 56,970,077 | 86,327,108 |
| The Vanguard Group | 835,790 Shares of Vanguard Wellington Fund | 23,749,124 | 24,530,446 |
| * Chase Manhattan Bank | 101,414 Shares of Chase Manhattan Bank Enhanced Cash Investment Fund, a Common/Collective Trust, 7 Day Net annualized Yield on 12/31/98 of 5.48% | 101,414 | 101,414 |

* Represents a party in interest

The accompanying notes are an integral part of this schedule.

F-10

SCHEDULE II

THE LIMITED, INC. SAVINGS AND RETIREMENT PLAN

EIN #31-1048997 PLAN #002

ITEM 27d - SCHEDULE OF REPORTABLE TRANSACTIONS

FOR THE YEAR ENDED DECEMBER 31, 1998

| Identity of Party Involved | Description of Asset | Purchase Price | Selling Price | Lease Rental | Expense Incurred With Transaction | Cost of Asset | Current Value of Asset on Transaction Date | Net Gain or (Loss) |
|----------------------------|--|----------------|---------------|--------------|-----------------------------------|---------------|--|--------------------|
| | | | | | \$ 8,020,702 | | | |
| * The Limited, Inc. | The Limited, Inc. Common Stock | \$ 8,020,702 | \$10,453,868 | \$ - | \$ - | \$ 4,321,938 | 10,453,868 | \$6,131,930 |
| The Vanguard Group | Vanguard Investment Contract Trust | 15,475,462 | 103,639,753 | - | - | 103,639,753 | 103,639,753 | - |
| The Vanguard Group | Vanguard Retirement Savings Trust Fund | 109,329,808 | 18,721,596 | - | - | 18,721,596 | 109,329,808 | - |
| The Vanguard Group | Vanguard Index 500 Portfolio Fund | 23,002,542 | 20,394,776 | - | - | 12,644,028 | 23,002,542 | 7,750,748 |
| The Vanguard Group | Vanguard World Fund, U.S. Growth Portfolio | 22,654,992 | 21,434,658 | - | - | 10,849,865 | 22,654,992 | 10,584,793 |
| The Vanguard Group | Vanguard Wellington Fund | 12,792,018 | 8,699,959 | - | - | 6,177,858 | 12,792,018 | 2,522,101 |
| * Chase Manhattan Bank | Chase Manhattan Bank Enhanced Cash Investment Fund | 74,644,066 | 74,542,960 | - | - | 74,542,960 | 74,644,066 | - |

*Represents a party in interest

The accompanying notes are an integral part of this schedule.