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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## FORM 10-Q

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

For the quarterly period ended October 30, 2004

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-8344

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# LIMITED BRANDS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

Three Limited Parkway, P.O. Box 16000,

Columbus, Ohio

(Address of principal executive offices)

31-1029810

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

43216

(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, \$.50 Par Value

Outstanding at December 3, 2004

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406,425,646 Shares

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LIMITED BRANDS, INC.

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**SAFE HARBOR STATEMENT UNDER THE PRIVATE  
SECURITIES LITIGATION 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 Quarterly Report on Form 10-Q (“Report”) or otherwise made by the Company or 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. Words such as “estimate,” “project,” “plan,” “believe,” “expect,” “anticipate,” “intend,” “planned,” “potential” and similar expressions may identify forward-looking statements. 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 2004 and beyond to differ materially from those expressed or implied in any forward-looking statements included in this Report or otherwise made by the Company or management: changes in consumer spending patterns, consumer preferences and overall economic conditions; the potential impact of national and international security concerns on the retail environment, including any possible military action, terrorist attacks or other hostilities; our ability to service our debt, any debt we draw down under our credit facilities, and any other debt we incur, and the restrictions the agreements related to such debt impose upon us; the impact of competition and pricing; changes in weather patterns; political stability; postal rate increases and charges; paper and printing costs; risks associated with the seasonality of the retail industry; risks related to consumer acceptance of the Company’s products and the ability to develop new merchandise; the ability to retain, hire and train key personnel; risks associated with the possible inability of the Company’s manufacturers to deliver products in a timely manner; risks associated with relying on foreign sources of production, including risks related to the disruption of imports by labor disputes; and risks associated with the possible lack of availability of suitable store locations on appropriate terms. Investors should read Exhibit 99.1 to the Company’s Annual Report on Form 10-K, as well as the Company’s other filings with the Securities and Exchange Commission, for a more complete discussion of these and other factors that might affect the Company’s performance and financial results. The Company does not undertake to publicly update or revise its forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied therein will not be realized.

## PART I— FINANCIAL INFORMATION

## Item 1. FINANCIAL STATEMENTS

LIMITED BRANDS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME  
(Thousands except per share amounts)  
(Unaudited)

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	October 30, 2004	November 1, 2003	October 30, 2004	November 1, 2003
Net sales	\$ 1,890,855	\$ 1,846,770	\$ 6,079,890	\$ 5,703,173
Costs of goods sold, buying and occupancy	(1,277,270)	(1,251,317)	(3,992,682)	(3,793,433)
Gross income	613,585	595,453	2,087,208	1,909,740
General, administrative and store operating expenses	(560,440)	(553,281)	(1,687,748)	(1,588,150)
Operating income	53,145	42,172	399,460	321,590
Interest expense	(13,234)	(11,690)	(36,924)	(50,085)
Interest income	7,123	36,776	23,556	54,117
Other income (loss)	53,311	5,060	95,225	(2,501)
Gains on investees' stock	—	128,356	17,617	208,042
Income before income taxes	100,345	200,674	498,934	531,163
Provision for income taxes	22,000	71,000	176,000	202,000
Net income	\$ 78,345	\$ 129,674	\$ 322,934	\$ 329,163
Net income per basic share	\$ 0.17	\$ 0.25	\$ 0.67	\$ 0.63
Net income per diluted share	\$ 0.16	\$ 0.25	\$ 0.66	\$ 0.63
Dividends per share	\$ 0.12	\$ 0.10	\$ 0.36	\$ 0.30

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

LIMITED BRANDS, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(Thousands)

	October 30, 2004	January 31, 2004	November 1, 2003
	(Unaudited)		(Unaudited)
<b>ASSETS</b>			
Current assets:			
Cash and equivalents	\$ 2,135,204	\$3,130,347	\$1,819,476
Accounts receivable	134,575	112,137	347,199
Inventories	1,561,651	943,426	1,387,599
Other	252,490	247,037	240,845
Total current assets	4,083,920	4,432,947	3,795,119
Property and equipment, net	1,551,351	1,460,331	1,485,653
Goodwill	1,310,868	1,310,868	1,310,868
Trade names and other intangible assets, net	435,634	440,990	444,160
Other assets	119,262	234,432	246,154
Total assets	<u>\$ 7,501,035</u>	<u>\$7,879,568</u>	<u>\$7,281,954</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current liabilities:			
Accounts payable	\$ 622,427	\$ 427,740	\$ 521,775
Accrued expenses	625,718	690,206	559,489
Income taxes	73,637	279,208	86,208
Total current liabilities	1,321,782	1,397,154	1,167,472
Deferred income taxes	142,083	134,351	112,786
Long-term debt	1,146,483	648,218	648,180
Other long-term liabilities	430,929	434,186	443,141
Shareholders' equity:			
Common stock	261,926	261,926	261,926
Paid-in capital	1,646,774	1,673,910	1,684,361
Retained earnings	3,558,479	3,416,878	3,081,573
	5,467,179	5,352,714	5,027,860
Less: treasury stock, at average cost	(1,007,421)	(87,055)	(117,485)
Total shareholders' equity	4,459,758	5,265,659	4,910,375
Total liabilities and shareholders' equity	<u>\$ 7,501,035</u>	<u>\$7,879,568</u>	<u>\$7,281,954</u>

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

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CONSOLIDATED STATEMENTS OF CASH FLOWS

(Thousands)

(Unaudited)

	Thirty-nine Weeks Ended	
	October 30, 2004	November 1, 2003
Operating activities:		
Net income	\$ 322,934	\$ 329,163
Adjustments to reconcile net income to net cash used for operating activities:		
Depreciation and amortization	227,217	215,749
Gain from early collection of long-term note receivable	(24,857)	—
Gain on sale of third party warrants	(65,668)	—
Gains on sale of investees' stock	(17,617)	(208,042)
(Gain) loss on sale of property	(8,696)	576
Deferred income taxes	(12,423)	(16,191)
Stock compensation	5,360	15,564
Loss on sale of joint ventures	—	6,921
Debt extinguishment costs	—	5,548
Change in assets and liabilities:		
Accounts receivable	(22,438)	(1,493)
Inventories	(618,225)	(421,163)
Accounts payable and accrued expenses	156,201	27,706
Income taxes payable	(165,381)	(105,192)
Other assets and liabilities	22,843	(1,314)
Net cash used for operating activities	(200,750)	(152,168)
Investing activities:		
Capital expenditures	(364,827)	(232,109)
Proceeds from settlement of long-term note receivable	75,000	—
Proceeds from sale of Lerner warrants	65,668	—
Proceeds from sale of investees' stock	65,333	130,673
Proceeds from sale of property	23,797	—
Other investing activities	(4,820)	5,752
Net cash used for investing activities	(139,849)	(95,684)
Financing activities:		
Repurchase of common stock	(1,114,650)	(149,988)
Dividends paid	(175,456)	(156,269)
Repayment of long-term debt	—	(250,000)
Net proceeds from issuance of long-term debt	498,150	350,000
Proceeds from exercise of stock options and other	137,412	10,553
Net cash used for financing activities	(654,544)	(195,704)
Net decrease in cash and equivalents	(995,143)	(443,556)
Cash and equivalents, beginning of year	3,130,347	2,263,032
Cash and equivalents, end of period	\$ 2,135,204	\$ 1,819,476

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

LIMITED BRANDS, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

**1. Basis of Presentation**

Limited Brands, Inc. (the "Company" or "Limited Brands") sells women's intimate apparel, personal care products and women's and men's apparel, under various trade names through its specialty retail stores and direct response (catalogue and e-commerce) businesses.

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Investments in unconsolidated entities over which the Company exercises significant influence but does not have control are accounted for using the equity method. The Company's share of the net income or loss of unconsolidated entities is included in other income (loss).

The consolidated financial statements as of and for the thirteen week and thirty-nine week periods ended October 30, 2004 and November 1, 2003 are unaudited and are presented pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, these consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's 2003 Annual Report on Form 10-K. In the opinion of management, the accompanying consolidated financial statements reflect all adjustments (which are of a normal recurring nature) necessary for a fair statement of the results for the interim periods.

Due to seasonal variations in the retail industry, the results of operations for any interim period are not necessarily indicative of the results expected for the full fiscal year.

Certain prior year amounts have been reclassified to conform to the current year presentation.

**2. Shareholders' Equity and Earnings Per Share**

At October 30, 2004, one billion shares of \$0.50 par value common stock were authorized, 523.9 million were issued and 472.9 million were outstanding. At January 31, 2004, 523.9 million shares were issued and 518.1 million were outstanding. At November 1, 2003, 523.9 million shares were issued and 516.2 million were outstanding. In addition, ten million shares of \$1.00 par value preferred stock were authorized, none of which were issued.

In April 2004, the Company completed a modified "Dutch Auction" tender offer under which the Company repurchased approximately 50.6 million shares of its outstanding common stock for \$1 billion, or \$19.75 per share.

In May 2004, the Board of Directors of the Company authorized the repurchase of \$100 million of the Company's common stock. The Company completed this \$100 million repurchase in August 2004, repurchasing approximately 5.1 million shares of its common stock at an average price per share of approximately \$19.42.

In August 2004, the Board of Directors of the Company authorized the repurchase of an additional \$250 million of the Company's common stock. Before this repurchase was superseded by the \$2 billion tender offer announced in October 2004 (see Note 14), the Company had repurchased approximately 0.7 million shares of its common stock under this authorization for \$14.6 million at an average price per share of approximately \$21.04.

In January 2003, the Board of Directors of the Company authorized the repurchase of \$150 million of the Company's common stock. During the thirty-nine weeks ended November 1, 2003, the Company completed the \$150 million repurchase by acquiring approximately 9.9 million shares of its common stock at an average price per share of approximately \$15.

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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.

Weighted average common shares outstanding (thousands):

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	October 30, 2004	November 1, 2003	October 30, 2004	November 1, 2003
Common shares issued	523,852	523,852	523,852	523,763
Treasury shares	(53,078)	(6,769)	(40,891)	(3,772)
Basic shares	470,774	517,083	482,961	519,991
Dilutive effect of stock options and restricted shares	9,124	7,297	8,917	5,929
Diluted shares	479,898	524,380	491,878	525,920

The quarterly computations of earnings per diluted share exclude options to purchase 0.9 million and 14.9 million shares of common stock for the thirteen weeks ended October 30, 2004 and November 1, 2003 and the year-to-date computation of earnings per diluted share excludes options to purchase 1.6 million and 20.2 million shares for 2004 and 2003, because the options' exercise prices were greater than the average market price of the common shares during those periods.

### 3. Stock-based Compensation

The Company recognizes compensation expense associated with stock-based awards under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25"), and related interpretations. Under APB No. 25, because the exercise price of the Company's employee stock options is generally equal to the market price of the underlying stock on the date of grant, no compensation expense is recognized. Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," establishes an alternative method of expense recognition for stock-based compensation awards based on fair values.

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123:

(thousands except per share amounts)	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	October 30, 2004	November 1, 2003	October 30, 2004	November 1, 2003
Net income, as reported	\$ 78,345	\$ 129,674	\$ 322,934	\$ 329,163
Add: Stock compensation cost recorded, net of tax	1,570	2,366	3,598	10,207
Deduct: Stock compensation cost calculated under SFAS No. 123, net of tax	(7,127)	(9,598)	(25,328)	(29,843)
Pro forma net income	\$ 72,788	\$ 122,442	\$ 301,204	\$ 309,527
Earnings per basic share, as reported	\$ 0.17	\$ 0.25	\$ 0.67	\$ 0.63
Earnings per basic share, pro forma	\$ 0.15	\$ 0.24	\$ 0.62	\$ 0.60
Earnings per diluted share, as reported	\$ 0.16	\$ 0.25	\$ 0.66	\$ 0.63
Earnings per diluted share, pro forma	\$ 0.15	\$ 0.24	\$ 0.62	\$ 0.59

### 4. Other Income (Loss)

Other income (loss) primarily includes the non-operating gains described below.

In March 2004, the Company recognized a \$44.9 million gain resulting from (i) the early repayment of New York & Company's (formerly Lerner) \$75.0 million subordinated note held by the Company plus accrued interest of approximately \$10 million (scheduled maturity was November 26, 2009) and (ii) New York & Company's \$20.0 million purchase of warrants representing approximately 13% of New York & Company's common equity. The note and warrants were part of the consideration received by the Company for the sale of New York & Company in November 2002, and had a carrying value, including accrued interest, of \$60.1 million.

In connection with the agreement to prepay the note and to purchase the warrants, as amended on August 5, 2004, New York & Company agreed to make an additional payment to Limited Brands if (i) New York & Company completed an initial public offering pursuant to a registration statement filed on or before December 31, 2004 or was sold pursuant to an agreement entered into on or before December 31, 2004 and (ii) the implied equity value of New York & Company based upon one of the above transactions exceeded \$156.8 million. On May 24, 2004, New York & Company filed an initial registration statement with the SEC in connection with an initial public offering. This initial public offering was completed on October 7, 2004 and the agreed upon payment of \$45.7 million was received by the Company on October 13, 2004, at which time the Company recognized a \$45.7 million pretax, non-operating gain.



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### 5. Gains on Investees' Stock

In July 2004, the Company sold its remaining ownership interest in Galyan's Trading Company, Inc. ("Galyan's") for \$65.3 million resulting in a pretax gain of \$17.6 million. Prior to the sale of Galyan's shares, the Company accounted for its investment using the equity method.

During the first quarter of 2003, the Company sold approximately one-half of its ownership in Alliance Data Systems Corporation ("ADS") for \$130.7 million resulting in a pretax gain of \$79.7 million. During the third quarter of 2003, the Company sold its remaining interest in ADS for \$192.9 million resulting in a pretax gain of \$128.4 million. Prior to the sale of ADS shares, the Company accounted for its investment using the equity method.

### 6. Inventories

The fiscal year of the Company and its subsidiaries is comprised of two principal selling seasons: spring (the first and second quarters) and fall (the third and fourth quarters). Inventories are principally valued at the lower of average cost or market, on a weighted average cost basis, using the retail method. Inventory valuation at the end of the first and third quarters reflects adjustments for estimated inventory markdowns for the total selling season.

### 7. Property and Equipment, Net

Property and equipment, net consisted of (thousands):

	October 30, 2004	January 31, 2004	November 1, 2003
Property and equipment, at cost	\$ 3,838,025	\$ 3,744,819	\$ 3,762,684
Accumulated depreciation	(2,286,674)	(2,284,488)	(2,277,031)
Property and equipment, net	<u>\$ 1,551,351</u>	<u>\$ 1,460,331</u>	<u>\$ 1,485,653</u>

### 8. Trade Names and Other Intangible Assets, Net

Intangible assets, not subject to amortization, represent trade names of \$411.0 million as of October 30, 2004, January 31, 2004 and November 1, 2003.

Intellectual property assets and other intangibles, subject to amortization, were as follows (thousands):

	October 30, 2004	January 31, 2004	November 1, 2003
Gross carrying amount	\$ 56,277	\$ 56,117	\$ 56,117
Accumulated amortization	(31,643)	(26,127)	(22,957)
Intellectual property assets and other intangible assets, net	<u>\$ 24,634</u>	<u>\$ 29,990</u>	<u>\$ 33,160</u>

The estimated annual amortization expense for these intangible assets is approximately \$8 million each year through 2006 and approximately \$5 million in 2007, at which time these intangible assets will be fully amortized.

### 9. Income Taxes

The provision for income taxes is based on the annual effective tax rate and also reflects a \$16 million tax benefit primarily related to the favorable resolution of certain state tax matters during the third quarter of 2004. Income taxes paid during the thirty-nine weeks ended October 30, 2004 and November 1, 2003 approximated \$353.4 million and \$322.1 million, respectively. Income taxes payable included net current deferred tax liabilities of \$49.5 million at October 30, 2004, \$69.7 million at January 31, 2004 and \$51.7 million at November 1, 2003.

The Company's effective tax rate has historically reflected and continues to reflect a provision related to the undistributed earnings of foreign affiliates. Since 1995, the Internal Revenue Service ("IRS") has assessed the Company for additional taxes and interest for the years 1992 to 2000 relating to the undistributed earnings of foreign affiliates. In September 1999, the United States Tax Court sustained the position of the IRS with respect to the 1992 year and, in connection with an appeal of that Tax Court judgment and related IRS assessments for subsequent years, the Company paid \$122 million in taxes and interest for the years 1992 to 2000 that reduced deferred tax liabilities.

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In March 2002, the U.S. Court of Appeals for the Sixth Circuit ruled in favor of the Company, reversing the previous Tax Court judgment relating to the 1992 year. This ruling also applied to years 1993 and 1994. In the third quarter of 2003, the Company reached an agreement with the IRS regarding the computation of interest and recognized interest income of \$30 million related to the Company's appeal of the 1992 through 1994 years, of which \$28 million was collected in the fourth quarter of 2003; the remaining balance reduced deferred tax liabilities. While the outcome cannot yet be determined, the Company is pursuing additional actions to obtain a refund of tax of up to \$85 million plus interest related to the 1995 through 2000 years.

On October 22, 2004, the American Jobs Creation Act (the "Act") was passed. The Act provides for a special one-time deduction of 85% of certain foreign earnings that are repatriated to the U.S. provided certain criteria are met. The Company has historically provided U.S. tax on all of its foreign earnings at the applicable tax rate. The Company is currently evaluating the impact of the Act which is contingent upon the resolution of the actions noted above related to the 1995 through 2000 years and upon meeting the provisions of the Act.

### 10. Long-term Debt

Unsecured long-term debt, net of unamortized discount, consisted of (thousands):

	October 30, 2004	January 31, 2004	November 1, 2003
6.125% \$300 million Notes due December 2012	\$ 298,964	\$ 298,870	\$ 298,836
6.95% \$350 million Debentures due March 2033	349,366	349,348	349,344
5.25% \$500 million Notes due November 1, 2014	498,153	—	—
	<u>\$1,146,483</u>	<u>\$ 648,218</u>	<u>\$ 648,180</u>

On October 26, 2004, the Company issued \$500 million of 5.25% notes utilizing a shelf registration statement, under which up to \$500 million of debt securities, common and preferred stock, and other securities could be issued.

In the first quarter of 2003, the Company issued \$350 million of 6.95% debentures due March 1, 2033 under a 144A private placement. The Company exchanged the privately held securities for securities registered with the SEC with identical terms through a non-taxable exchange offer. \$0.5 million of securities were not exchanged and remain privately held.

Also in the first quarter of 2003, the Company redeemed its 7 1/2% debentures due 2023 at a redemption price equal to 103.16% of the principal amount, plus accrued interest through the call date. The early redemption of these securities resulted in a pretax charge of \$13.4 million, comprised of the call premium and the write-off of unamortized deferred financing fees and discounts. This charge was included in interest expense in the Consolidated Statements of Income.

As of October 30, 2004, the Company had a 5-year \$750 million unsecured revolving credit facility (the "Facility"), under which borrowings outstanding, if any, would be due July 13, 2006.

The Facility had several borrowing and interest rate options. Fees payable under the Facility were based on the Company's long-term credit ratings, and were 0.125% of the committed amount per year.

The Facility required the Company to maintain certain specified fixed charge and debt to capital ratios. The Company was in compliance with these requirements at October 30, 2004.

The Facility was available to support the Company's commercial paper and letter of credit programs, which are used from time to time to fund working capital and other general corporate requirements. The Company did not issue commercial paper or draw on the Facility during the thirty-nine weeks ended October 30, 2004. In addition, no commercial paper or amounts under the Facility were outstanding at October 30, 2004. The Facility was replaced with a \$1 billion unsecured revolving credit facility effective November 22, 2004 (see Note 14).

Cash paid for interest during the thirty-nine weeks ended October 30, 2004 and November 1, 2003 was \$37.3 million and \$43.1 million, respectively.

### 11. Commitments and Contingencies

In connection with the disposition of certain subsidiaries, the Company has remaining guarantees of approximately \$403 million related to lease obligations of Abercrombie & Fitch, Too Inc., Galyan's, Lane Bryant and New York & Company under the current terms of noncancelable leases expiring at various dates through 2015, unless extended or renewed. These guarantees include minimum rent and additional payments covering taxes, common area costs and certain other expenses and relate only to leases that commenced prior to the disposition of the subsidiaries. In certain instances, the Company's guarantee may remain in effect if the term of a lease is extended. The Company believes the likelihood of material liability being triggered under these guarantees is remote.

Also, in connection with the Company's investment in Easton Town Center, LLC ("ETC"), the Company has guaranteed \$25 million of ETC's \$210 million secured bank loan.

Additionally, in June 1999, the Company issued a \$31 million standby letter of credit, on which the City of Columbus, Ohio (the "City") could draw solely to pay principal and interest on public bonds issued by the City for infrastructure development at Easton. In November 2004, the City determined that this letter of credit was no longer required and terminated the letter of credit agreement.

The Company is subject to various claims and contingencies related to lawsuits, income taxes, insurance, regulatory and other matters arising out of the normal course of business. Management believes that the ultimate liability arising from such claims or contingencies, if any, is not likely to have a material adverse effect on the Company's results of operations, financial condition or cash flows.

### 12. Shareholder Litigation

During 1999, shareholders of the Company filed a lawsuit against the Board of Directors and the Company, as nominal defendant, related to the Company's June 1999 Tender Offer and the rescission of the Contingent Stock Redemption Agreement previously entered into by the Company with Leslie H. Wexner and The Wexner Children's Trust. This matter has now been settled and the plaintiffs' counsel has been awarded fees and expenses of \$7 million. Mr. Wexner has agreed to contribute, through the forfeiture of stock options, the payment of cash or other consideration, an amount sufficient to limit the Company's contribution to \$3 million. The Company's estimated cash contribution has not been paid and was included in accrued liabilities as of October 30, 2004 and January 31, 2004.

### 13. Segment Information

The Victoria's Secret segment derives its revenues from sales of women's intimate and other apparel, personal and beauty care products and accessories marketed primarily under the Victoria's Secret brand name. Victoria's Secret merchandise is sold through its stores and direct response (catalogue and e-commerce) businesses. The Bath & Body Works segment derives its revenues from the sale of personal care products and accessories and home fragrance products marketed primarily under the Bath & Body Works and White Barn Candle Company brand names. The Apparel segment derives its revenues from sales of women's and men's apparel through Express and Limited Stores.

Segment information for the thirteen and thirty-nine weeks ended October 30, 2004 and November 1, 2003 follows (thousands):

	Victoria's Secret	Bath & Body Works	Apparel	Other(a)	Total
<b>2004</b>					
<b>Thirteen weeks:</b>					
Net sales	\$ 830,039	\$ 349,984	\$ 584,449	\$ 126,383	\$1,890,855
Operating income (loss)	107,161	4,663	(17,801)	(40,878)	53,145
<b>Thirty-nine weeks:</b>					
Net sales	\$2,761,986	\$1,162,250	\$1,776,921	\$ 378,733	\$6,079,890
Operating income (loss)	447,392	90,583	8,659	(147,174)	399,460
<b>2003</b>					
<b>Thirteen weeks:</b>					
Net sales	\$ 733,429	\$ 320,301	\$ 663,185	\$ 129,855	\$1,846,770
Operating income (loss)	84,751	4,599	(8,863)	(38,315)	42,172
<b>Thirty-nine weeks:</b>					
Net sales	\$2,454,001	\$1,034,958	\$1,867,719	\$ 346,495	\$5,703,173
Operating income (loss)	370,639	73,303	2,771	(125,123)	321,590

(a) Includes Corporate, Mast third party sales and Henri Bendel.

#### **14. Subsequent Events**

On October 6, 2004, the Company announced that the Board of Directors of the Company had authorized the repurchase of \$2 billion of the Company's outstanding common stock through a modified "Dutch Auction" tender offer, which expired on November 22, 2004. Under this tender offer, the Company repurchased 69.0 million shares of common stock at a purchase price of \$29 per share.

Upon the expiration of this tender offer on November 22, 2004, the Board of Directors announced a \$500 million special dividend, or approximately \$1.23 per share, payable to shareholders of record on December 22, 2004.

Also upon expiration of this tender offer, the Company replaced its existing \$750 million unsecured revolving credit facility, with a new \$1 billion unsecured revolving credit facility (the "Facility"). The Facility is available to support the Company's commercial paper and letter of credit programs, which may be used from time to time to fund working capital and other general corporate requirements. Borrowings outstanding under the Facility, if any, are due in November 2009. Fees payable under the Facility are based on the Company's long-term credit ratings, and are currently 0.15% of the committed amount per year.

In connection with this tender offer, the Company also borrowed \$500 million under a term loan agreement that became effective in November 2004 (the "Term Loan"). The amount outstanding under the Term Loan agreement is due in quarterly installments of \$25 million from March 2007 to December 2008 and \$75 million from March 2009 to December 2009.

The Facility and the Term Loan have several interest rate options, which are based in part on the Company's long-term credit ratings, and require the Company to maintain certain specified fixed charge and debt to earnings ratios.

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### Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders  
of Limited Brands, Inc:

We have reviewed the consolidated balance sheets of Limited Brands, Inc. and its subsidiaries (the "Company") as of October 30, 2004 and November 1, 2003, the related consolidated statements of income for the thirteen and thirty-nine week periods ended October 30, 2004 and November 1, 2003, and the consolidated statements of cash flows for the thirty-nine week periods ended October 30, 2004 and November 1, 2003. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), which will be performed for the full year with the objective of expressing an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated interim financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Limited Brands, Inc. and subsidiaries as of January 31, 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended not presented herein, and in our report dated February 26, 2004 (except for Note 16 as to which the date is March 16, 2004), we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of January 31, 2004, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Ernst & Young LLP

Columbus, Ohio  
November 18, 2004

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### Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

#### Executive Overview

Limited Brands, Inc. (the "Company") operates in the highly competitive specialty retail business. The Company sells women's intimate apparel, personal care and beauty products and women's and men's apparel through its retail stores (primarily mall-based) and direct response (catalogue and e-commerce) businesses.

#### Strategy

In 2004, the Company has continued its focus on core intimate apparel, personal care and beauty product brands, while decreasing its reliance on the apparel businesses. The Company's focus, similar to the consumer packaged goods industry, is on its core, prestige brands and on product innovation to support a strategy for continued growth.

The Company's strategic agenda is to continue to focus on brands, talent and capability.

#### *Brands*

In the third quarter of 2004, the Company continued to see positive results from product extensions, including the launch of the Satin Angels "Uplift" bra, the rollout of the Pink product line and the continued growth of the beauty products business at Victoria's Secret and the rollout of the Henri Bendel Home Fragrance product line at Bath & Body Works.

In addition, during the quarter the Company began testing two new stand-alone store concepts: C.O. Bigelow, focusing on upscale body care, face care, beauty and cosmetics products; and Henri Bendel, another entrant in the personal care, beauty and lingerie business.

The Company continues to concentrate on brand building activities by investing in store design and by implementing a more focused promotional strategy. Accordingly, during 2004, the Company has eliminated most of the promotional activity that discounts the entire store and has shifted its focus to more targeted product promotions combined with quarterly sale events. We believe these brand building activities have supported our brand repositioning strategy at all of our brands.

#### *Talent*

One of the Company's key imperatives is to develop, retain and attract talent on a continuing basis. This talent pool is critical to enable the Company to develop and implement a wide range of ideas that are essential to its continued growth. Accordingly, the talent initiative continues to be a major focus of the Company and involves identifying and building the capabilities required to manage the business today and just as importantly, to manage the business the Company anticipates in the future.

#### *Capability*

The Company is focused on a number of initiatives to develop and improve operational capabilities, including: a Center-based creative team focused on new products and product extensions; the implementation of a new human resources system throughout the business in 2004; an enterprise-wide focus on the procurement of non-merchandise goods and services; and store operating initiatives which are intended to drive sales and labor productivity. The Company is also standardizing and upgrading our technology and processes in order to support the future growth of the business.

The Company's strong financial position enabled it to deliver enhanced shareholder value by returning capital to its investors through three recent actions. In May 2004, the Company announced that its Board of Directors had authorized a \$100 million share repurchase program. This share repurchase program was completed in August 2004. Also in August 2004, the Company announced that its Board of Directors had authorized an additional \$250 million share repurchase program, under which \$14.6 million in shares were repurchased. This repurchase program was superseded on October 6, 2004 when the Company announced that the Board of Directors of the Company had authorized a \$2.5 billion recapitalization. In accordance with the plan, the Company repurchased \$2 billion of the Company's outstanding common stock through a modified "Dutch Auction" tender offer. Under this tender offer, which expired on November 22, 2004, the Company repurchased approximately 69 million shares of common stock at a purchase price of \$29 per share. Upon expiration of this tender offer, the Company announced that the Board of Directors had approved a \$500 million special dividend, or approximately \$1.23 per share, payable to shareholders of record on December 22, 2004.

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### Third Quarter 2004 Results

In the third quarter of 2004, key economic indicators, including GDP growth, the unemployment rate and initial jobless claims continued to show signs of improvement over last year, while higher energy prices and a stagnant stock market contributed to declines in consumer sentiment. The Company's third quarter operating results may have been impacted by the mixed external economic environment during the third quarter.

In the third quarter of 2004, net sales increased approximately 2% or \$44 million, comparable store sales increased 1%, and operating income increased approximately 26% to \$53 million compared to the third quarter of 2003.

For the thirty-nine week period ended October 30, 2004, net sales increased approximately 7% or \$377 million, comparable store sales increased 6%, and operating income increased approximately 24% to \$399 million compared to 2003.

The following summarized financial and statistical data compares reported results for the thirteen week and thirty-nine week periods ended October 30, 2004 and November 1, 2003:

	Third Quarter			Year-to-Date		
	2004	2003	Change	2004	2003	Change
<b>Net Sales (millions):</b>						
Victoria's Secret Stores	\$ 632	\$ 557	13%	\$2,007	\$1,787	12%
Victoria's Secret Direct	198	177	12%	755	667	13%
<b>Total Victoria's Secret</b>	<b>830</b>	<b>734</b>	<b>13%</b>	<b>2,762</b>	<b>2,454</b>	<b>13%</b>
Bath & Body Works	350	320	9%	1,162	1,035	12%
Express	450	504	(11)%	1,374	1,431	(4)%
Limited Stores	135	159	(15)%	403	437	(8)%
<b>Total apparel businesses</b>	<b>585</b>	<b>663</b>	<b>(12)%</b>	<b>1,777</b>	<b>1,868</b>	<b>(5)%</b>
Other (a)	126	130	(3)%	379	346	10%
<b>Total net sales</b>	<b>\$1,891</b>	<b>\$1,847</b>	<b>2%</b>	<b>\$6,080</b>	<b>\$5,703</b>	<b>7%</b>
<b>Segment Operating Income (millions):</b>						
Victoria's Secret	\$ 107	\$ 85	26%	\$ 447	\$ 371	20%
Bath & Body Works	5	5	0%	90	73	23%
Apparel	(18)	(9)	(100)%	9	3	200%
Other (a)	(41)	(39)	(5)%	(147)	(125)	(18)%
<b>Total operating income</b>	<b>\$ 53</b>	<b>\$ 42</b>	<b>26%</b>	<b>\$ 399</b>	<b>\$ 322</b>	<b>24%</b>
<b>Comparable Store Sales (b):</b>						
Victoria's Secret			13%	5%	11%	4%
Bath & Body Works			9%	3%	13%	2%
Express			(12)%	(2)%	(3)%	(1)%
Limited Stores			(13)%	0%	(5)%	(3)%
<b>Total apparel businesses</b>			<b>(13)%</b>	<b>(2)%</b>	<b>(4)%</b>	<b>(1)%</b>
Henri Bendel			(4)%	13%	12%	6%
<b>Total comparable store sales increase</b>			<b>1%</b>	<b>2%</b>	<b>6%</b>	<b>1%</b>

(a) Other includes Corporate, Mast and Henri Bendel.

(b) A store is included in the calculation of comparable store sales when it has been open 12 months or more and it has not had a change in selling square footage of 20% or more. Additionally, stores of a given brand are excluded if total selling square footage for the brand in the mall changes by 20% or more through the opening or closing of a second store.

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	Third Quarter			Year-to-Date		
	2004	2003	Change	2004	2003	Change
<b>Segment Store Data:</b>						
Retail sales per average selling square foot:						
Victoria's Secret	\$ 132	\$ 119	11%	\$ 420	\$ 381	10%
Bath & Body Works	\$ 98	\$ 90	9%	\$ 327	\$ 290	13%
Apparel	\$ 77	\$ 85	(9)%	\$ 233	\$ 235	(1)%
Retail sales per average store (thousands):						
Victoria's Secret	\$ 632	\$ 551	15%	\$1,997	\$1,765	13%
Bath & Body Works	\$ 221	\$ 197	12%	\$ 730	\$ 635	15%
Apparel	\$ 468	\$ 495	(5)%	\$1,395	\$1,374	2%
Average store size at end of quarter (selling square feet):						
Victoria's Secret	4,821	4,659	3%			
Bath & Body Works	2,261	2,198	3%			
Apparel	6,036	5,902	2%			
Selling square feet at end of quarter (thousands):						
Victoria's Secret	4,826	4,710	2%			
Bath & Body Works	3,577	3,565	0%			
Apparel	7,545	7,891	(4)%			

	Third Quarter		Year-to-Date	
	2004	2003	2004	2003
<b>Number of Stores:</b>				
<b>Victoria's Secret</b>				
Beginning of period	1,000	1,008	1,009	1,014
Opened	7	5	10	7
Closed	(6)	(2)	(18)	(10)
End of period	1,001	1,011	1,001	1,011
<b>Bath &amp; Body Works</b>				
Beginning of period	1,586	1,623	1,604	1,639
Opened	4	3	8	5
Closed	(8)	(4)	(30)	(22)
End of period	1,582	1,622	1,582	1,622
<b>Apparel</b>				
Beginning of period	1,249	1,340	1,297	1,382
Opened	7	5	13	6
Closed	(6)	(8)	(60)	(51)
End of period	1,250	1,337	1,250	1,337

	Number of Stores			Selling Square Feet (thousands)		
	October 30, 2004	November 1, 2003	Change	October 30, 2004	November 1, 2003	Change
Victoria's Secret	1,001	1,011	(10)	4,826	4,710	116
Bath & Body Works	1,582	1,622	(40)	3,577	3,565	12
Express Women's	488	582	(94)	3,020	3,654	(634)
Express Men's	246	319	(73)	997	1,294	(297)
Express Dual Gender	184	90	94	1,526	806	720
Total Express	918	991	(73)	5,543	5,754	(211)
Limited Stores	332	346	(14)	2,002	2,137	(135)
Total apparel	1,250	1,337	(87)	7,545	7,891	(346)
Henri Bendel	2	1	1	37	35	2
Total stores and selling square feet	3,835	3,971	(136)	15,985	16,201	(216)



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### Net Sales

The change in net sales for the third quarter of 2004 compared to 2003 was as follows:

<u>(Millions) Increase (decrease)</u>	<u>Victoria's Secret</u>	<u>Bath &amp; Body Works</u>	<u>Apparel</u>	<u>Other</u>	<u>Total</u>
2003 Net sales	\$ 734	\$ 320	\$ 663	\$130	\$1,847
Comparable store sales	61	26	(69)	—	18
Sales associated with new, closed and non-comparable remodeled stores, net	14	4	(9)	—	9
Victoria's Secret Direct	21	—	—	—	21
Mast third party sales and other	—	—	—	(4)	(4)
2004 Net sales	<u>\$ 830</u>	<u>\$ 350</u>	<u>\$ 585</u>	<u>\$126</u>	<u>\$1,891</u>

At Victoria's Secret, the 13% increase in comparable store sales was primarily driven by incremental sales from the Pink product line, which had been rolled out to the majority of Victoria's Secret stores by July 2004, and by continued growth in the bra category and the Beauty business. Sales increases in the bra category were driven by the re-launch of the Body by Victoria shaping full coverage bra and the introductions of the Satin Angels "Uplift" bra and the Body by Victoria shaping thin strap demi. Growth in the Beauty business was primarily driven by the continued success of the Very Sexy for Her 2 fragrance, and from continued growth in the Hair Care and Garden product lines. The 12% increase in net sales at Victoria's Secret Direct was driven by growth in almost all product categories, including woven separates, bras and panties, knit tops, and denim.

At Bath & Body Works, the 9% increase in comparable store sales was primarily driven by sales growth for the Spa, Home Fragrance and Anti-bac product lines which was supported by either direct mail or in-store promotions.

At the apparel businesses, the 12% decrease in comparable store sales at Express reflects the continued focus on repositioning the Express brand to a regular priced business. From a category perspective, Express experienced declines in women's knit tops and casual woven bottoms, as well as declines in men's denim and knit tops, partially offset by increases in the women's wear-to-work category. At Limited Stores, the 13% decrease in comparable store sales was primarily driven by declines in sweaters and knit tops.

The change in net sales for the thirty-nine weeks ended October 30, 2004 compared to November 1, 2003 was as follows:

<u>(Millions) Increase (decrease)</u>	<u>Victoria's Secret</u>	<u>Bath &amp; Body Works</u>	<u>Apparel</u>	<u>Other</u>	<u>Total</u>
2003 Net sales	\$ 2,454	\$ 1,035	\$1,868	\$346	\$5,703
Comparable store sales	183	122	(58)	—	247
Sales associated with new, closed and non-comparable remodeled stores, net	36	5	(33)	—	8
Victoria's Secret Direct	89	—	—	—	89
Mast third party sales and other	—	—	—	33	33
2004 Net sales	<u>\$ 2,762</u>	<u>\$ 1,162</u>	<u>\$1,777</u>	<u>\$379</u>	<u>\$6,080</u>

At Victoria's Secret, the 11% increase in year-to-date comparable store sales was driven by growth in the bra category, particularly the Angels and Very Sexy sub-brands, the national launch of the Pink product line and the continued growth of the Beauty business. The 13% increase in net sales at Victoria's Secret Direct was driven by growth in swimwear, woven separates, bras and knit tops.

At Bath & Body Works, the 13% increase in year-to-date comparable store sales was primarily driven by continued sales growth in Spa, Pure Simplicity, Home Fragrance and Anti-bac product lines.

At the apparel businesses, the 3% decrease in comparable store sales at Express reflects a repositioning of the brand to a regular priced business and was primarily driven by declines in women's dresses, shorts, casual woven bottoms and knits categories, partially offset by increases in the women's wear-to-work category. At Limited Stores, the 5% decrease in comparable store sales was primarily driven by the exit of the dress category, decreased incentive marketing activities and declines in sweaters and knit tops, partially offset by increases in pants and woven tops.

The net sales increase at Mast was primarily driven by an increase in volume of third party customer sales since the third quarter of 2003.

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### *Gross Income*

For the third quarter of 2004, the gross income rate (expressed as a percentage of net sales) increased slightly to 32.5% from 32.2% for the same period in 2003 primarily driven by leverage in buying and occupancy expense at Victoria's Secret and Bath & Body Works. The decrease in the buying and occupancy rate resulted from leverage achieved on a comparable store sales increase of 9% at Bath & Body Works and a 12% increase in sales at Victoria's Secret Direct. This decrease was partially offset by an increase in the buying and occupancy rate at apparel due to the inability to leverage expenses on a 13% decline in comparable store sales. Merchandise margins were flat compared to 2003, as an increase in the merchandise margin rate at Victoria's Secret Direct was offset by declines at Bath & Body Works and apparel. The decrease in the merchandise margin rate at Bath & Body Works relates primarily to a change in product mix associated with higher sales of lower margin products. The decrease in the merchandise margin rate at apparel relates to markdowns on sweaters and woven tops at Limited Stores and increased markdowns to clear inventory at Express, as the business repositions its product assortment to include higher quality merchandise with higher price points.

The year-to-date gross income rate increased to 34.3% from 33.5% in 2003, driven by leverage in buying and occupancy expense at Bath & Body Works and an improved merchandise margin rate at Victoria's Secret. The decrease in the buying and occupancy rate at Bath & Body Works resulted from leverage achieved on a comparable store sales increase of 13%. The improvement in the merchandise margin rate at Victoria's Secret was primarily driven by improved performance for almost all product categories at Victoria's Secret Direct, including swimwear, woven separates, bras, panties and knit tops.

### *General, Administrative and Store Operating Expenses*

For the third quarter of 2004, the general, administrative and store operating expense rate (expressed as a percentage of net sales) improved to 29.6% from 30.0% last year. This improvement was primarily driven by the ability to leverage store selling expenses, the Company's largest expense category, across all operating segments and by a decrease in benefits costs resulting from modifications to our benefit plan coverage. The rate improvement was partially offset by an increase in marketing costs related to increased "gift with purchase" programs at Victoria's Secret and Bath & Body Works and increased spending on technology and process initiatives designed to improve our capabilities.

The year-to-date general, administrative and store operating expense rate remained flat at 27.8% for 2004 and 2003. Leverage on store selling expenses was offset by a reserve related to legal matters in the first quarter, an increase in incentive compensation costs due to performance gains over 2003, increased marketing costs and increased spending on technology and process initiatives.

### *Interest Expense*

	Third Quarter		Year-to-Date	
	2004	2003	2004	2003
Average borrowings (millions)	\$677.0	\$650.0	\$659.0	\$705.1
Average effective borrowing rate	6.44%	6.68%	6.52%	6.69%

The Company incurred interest expense of \$13.2 million for the third quarter of 2004 compared to \$11.7 million for the same period in 2003. The increase resulted primarily from an increase in average borrowings compared to last year.

Year-to-date interest expense decreased to \$36.9 million in 2004 from \$50.1 million in 2003. The decrease in interest expense occurred because 2003 included a one time \$13.4 million charge associated with the retirement of the Company's \$250 million 7 1/2% notes due in 2003. A decline in average borrowings and borrowing rates also contributed to the decrease.

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### *Other Non-operating Items*

For the third quarter of 2004, interest income decreased to \$7.1 million from \$36.8 million in 2003. Year-to-date interest income decreased to \$23.6 million from \$54.1 million in 2003. The decrease in both the third quarter and the year-to-date interest income primarily relates to a \$30.1 million interest refund received in the third quarter of 2003 related to a tax settlement (see Note 9 to the Consolidated Financial Statements).

For the third quarter of 2004, other income (loss) was \$53.3 million compared to \$5.1 million for the third quarter of 2003. Other income (loss) for the third quarter 2004 includes a \$45.7 million gain related to the initial public offering of New York & Company (see Note 4 to the Consolidated Financial Statements) and \$8.7 million in gains from the sale of property. Other income (loss) for the third quarter of 2003 includes a \$6.9 million gain on the sale of the Structure trademark.

Year-to-date other income (loss) was \$95.2 million compared to (\$2.5) million in 2003. Year-to-date 2004 other income (loss) includes \$90.6 million in gains relating to certain transactions with New York & Company described in Note 4 to the Consolidated Financial Statements and \$8.7 million in gains from the sale of property. Year-to-date 2003 other income (loss) includes a \$6.9 million gain related to the sale of the Structure trademark and a \$6.9 million loss on the sale of certain Mast joint ventures.

### *Gains on Investees' Stock*

During the second quarter of 2004, the Company sold its remaining ownership interest in Galyan's Trading Company, Inc. ("Galyan's") for \$65.3 million resulting in a pretax gain of \$17.6 million. Prior to the sale of Galyan's shares, the Company accounted for its investment using the equity method.

During the first quarter of 2003, the Company sold approximately one-half of its ownership in Alliance Data Systems Corporation ("ADS") for \$130.7 million resulting in a pretax gain of \$79.7 million. During the third quarter of 2003, the Company sold its remaining interest in ADS for \$192.9 million resulting in a pretax gain of \$128.4 million. Prior to the sale of ADS shares, the Company accounted for its investment using the equity method.

### *Provision for Income Taxes*

The Company's effective tax rate decreased to 21.9% for the third quarter of 2004 from 35.4% for the same period in 2003, and to 35.3% for year-to-date 2004 from 38.0% for the same period in 2003. The rate decrease is primarily due to the recognition of a \$16 million tax benefit which is principally related to the favorable resolution of certain state tax matters during the third quarter of 2004.

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### *Adjusted Data*

Adjusted income information provides non-GAAP financial measures and gives effect to certain significant transactions and events that impact the comparability of the Company's results in 2004 and 2003. Specifically, adjusted income excludes certain non-operating items which do not relate to the core performance of the Company's business and affect the comparability of current period results. Accordingly, the following table adjusts net income for such transactions and events in determining the adjusted results, and reconciles the adjusted results to net income reported in accordance with U.S. generally accepted accounting principles.

Management believes that the adjusted results provide useful information as to the Company's underlying business performance and assessment of ongoing operations. The adjusted income information should not be construed as an alternative to the reported results determined in accordance with generally accepted accounting principles. Further, the Company's definition of adjusted income information may differ from similarly titled measures used by other companies.

Reconciliation of Adjusted Income Information for the thirteen weeks ended October 30, 2004 and November 1, 2003 (thousands except per share amounts):

	Thirteen Weeks Ended October 30, 2004			Thirteen Weeks Ended November 1, 2003		
	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted
Net sales	\$1,890,855	—	\$1,890,855	\$1,846,770	—	\$1,846,770
Gross income	613,585	—	613,585	595,453	—	595,453
General, administrative and store operating expenses	560,440	—	560,440	(553,281)	—	(553,281)
Operating income	53,145	—	53,145	42,172	—	42,172
Interest expense	(13,234)	—	(13,234)	(11,690)	—	(11,690)
Interest income	7,123	—	7,123	36,776	—	36,776
Other income (loss)	53,311	\$ (45,668)(a)	7,643	5,060	—	5,060
Gain on investees' stock	—	—	—	128,356	\$(128,356)(b)	—
Income before income taxes	100,345	(45,668)	54,677	200,674	(128,356)	72,318
Provision for income taxes	22,000	(17,000)	5,000	71,000	(43,000)	28,000
Net income	\$ 78,345	\$ (28,668)	\$ 49,677	\$ 129,674	\$ (85,356)	\$ 44,318
Net income per diluted share	\$ 0.16		\$ 0.10	\$ 0.25		\$ 0.08
Weighted average shares outstanding	479,898		479,898	524,380		524,380

(a) The adjusted results for the thirteen weeks ended October 30, 2004 exclude a \$45.7 million pretax, non-operating gain resulting from the initial public offering of New York & Company (See Note 4 to the Consolidated Financial Statements).

(b) The adjusted results for the thirteen weeks ended November 1, 2003 exclude a \$128.4 million pretax, non-operating gain resulting from the sale of the Company's remaining interest in Alliance Data Systems Corporation (see Note 5 to the Consolidated Financial Statements).

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Reconciliation of Adjusted Income Information for the thirty-nine weeks ended October 30, 2004 and November 1, 2003 (thousands except per share amounts):

	Thirty-nine Weeks Ended October 30, 2004			Thirty-nine Weeks Ended November 1, 2003		
	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted
Net sales	\$ 6,079,890	—	\$ 6,079,890	\$ 5,703,173	—	\$ 5,703,173
Gross income	2,087,208	—	2,087,208	1,909,740	—	1,909,740
General, administrative and store operating expenses	(1,687,748)	—	(1,687,748)	(1,588,150)	—	(1,588,150)
Operating income	399,460	—	399,460	321,590	—	321,590
Interest expense	(36,924)	—	(36,924)	(50,085)	—	(50,085)
Interest income	23,556	—	23,556	54,117	—	54,117
Other income (loss)	95,225	\$ (90,525)(a)	4,700	(2,501)	—	(2,501)
Gains on investees' stock	17,617	(17,617)(b)	—	208,042	\$(208,042)(c)	—
Income before income taxes	498,934	(108,142)	390,792	531,163	(208,042)	323,121
Provision for income taxes	176,000	(40,000)	136,000	202,000	(75,000)	127,000
Net income	\$ 322,934	\$ (68,142)	\$ 254,792	\$ 329,163	\$(133,042)	\$ 196,121
Net income per diluted share	\$ 0.66		\$ 0.52	\$ 0.63		\$ 0.37
Weighted average shares outstanding	491,878		491,878	525,920		525,920

Notes to Reconciliation of Adjusted Income Information:

- (a) The adjusted results for the thirty-nine weeks ended October 30, 2004 exclude a \$44.9 million pretax, non-operating gain resulting from the early collection of a long-term note receivable and the sale of New York & Company warrants held by the Company and a \$45.7 million pretax, non-operating gain resulting from the initial public offering of New York & Company (see Note 4 to the Consolidated Financial Statements).
- (b) The adjusted results for the thirty-nine weeks ended October 30, 2004 exclude a \$17.6 million pretax, non-operating gain resulting from the sale of the Company's remaining ownership interest in Galyan's (see Note 5 to the Consolidated Financial Statements).
- (c) The adjusted results for the thirty-nine weeks ended November 1, 2003 exclude a \$208.0 million pretax, non-operating gain resulting from the sale of the Company's investment in Alliance Data Systems Corporation (see Note 5 to the Consolidated Financial Statements).

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### FINANCIAL CONDITION

#### Liquidity and Capital Resources

Cash generated from operating activities provides the primary resources to support current operations, projected growth, seasonal funding requirements and capital expenditures. In addition, the Company has funds available from an unsecured revolving credit facility as well as a commercial paper program which is backed by the credit facility. The Company did not issue commercial paper or draw on the credit facility during the thirty-nine weeks ended October 30, 2004 and November 1, 2003. However, changes in consumer spending patterns, consumer preferences and overall economic conditions could impact the availability of future operating cash flows.

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

	October 30, 2004	January 31, 2004	November 1, 2003
Working capital	\$ 2,762	\$ 3,036	\$ 2,628
Capitalization:			
Long-term debt	\$ 1,146	\$ 648	\$ 648
Shareholders' equity	4,460	5,266	4,910
Total capitalization	\$ 5,606	\$ 5,914	\$ 5,558
Additional amounts available under credit agreements	\$ 750	\$ 1,250	\$ 1,250

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 period, typically accounts for approximately one-third of net sales for the year. Accordingly, cash requirements are highest in the third quarter as the Company's inventory builds in anticipation of the holiday period, which generates a substantial portion of the Company's operating cash flow for the year. The Company regularly evaluates its capital needs, financial condition and possible requirements for and uses of its cash.

Net cash used for operating activities was \$200.8 million for the thirty-nine weeks ended October 30, 2004 versus \$152.2 million used for the same period in 2003. The increase in cash used for operating activities relates primarily to an increase in inventory balances driven by new product offerings at Victoria's Secret and an increase in core bath products and new product offerings at Bath & Body Works. The cash used for operating activities was partially offset by increases in net income excluding non-operating gains and accounts payable resulting from the inventory increase.

Net cash used for investing activities of \$139.9 million for the thirty-nine weeks ended October 30, 2004 primarily included \$364.8 million in capital expenditures, partially offset by cash inflows of \$75.0 million from the collection of a long-term note receivable, \$65.7 million from the sale of third party warrants, \$65.3 million from the sale of investee's stock and \$23.8 million from the sale of property. Net cash used for investing activities of \$95.7 million for the thirty-nine weeks ended November 1, 2003 primarily included \$232.1 million in capital expenditures, partially offset by cash inflows of \$130.7 million from the sale of approximately one-half of the Company's investment in ADS.

Net cash used for financing activities of \$654.5 million for the thirty-nine weeks ended October 30, 2004 primarily included (i) the repurchase of 50.6 million shares of common stock for \$1.0 billion through the Company's modified "Dutch Auction" tender offer in April 2004, (ii) cash payments of \$100 million related to the repurchase of 5.1 million shares of common stock under the Company's \$100 million share repurchase program, (iii) cash payments of \$14.6 million related to the repurchase of 0.7 million shares of common stock repurchased during the third quarter under the Company's \$250 million share repurchase program, and (iv) quarterly dividend payments of \$0.12 per share or \$175.5 million. These uses of cash were partially offset by \$498 million in proceeds related to the issuance of the Company's \$500 million in 5.25% notes due 2014 and proceeds from the exercise of stock options. Net cash used for financing activities of \$195.7 million for the thirty-nine weeks ended November 1, 2003 included the redemption of \$250 million in debentures, quarterly dividend payments of \$0.10 per share or \$156.3 million and the repurchase of 9.9 million shares of common stock for \$150.0 million, partially offset by the issuance of \$350 million in long-term debt.

As a result of the Company's evaluation of its cash position and capital structure, in October 2004, the Board of Directors of the Company authorized the repurchase of \$2 billion of the Company's outstanding common stock through a modified "Dutch Auction" tender offer, which expired on November 22, 2004. Under this tender offer, the Company repurchased approximately 69 million shares of common stock at a purchase price of \$29 per share.

Upon the expiration of this tender offer on November 22, 2004, the Board of Directors announced a \$500 million special dividend, or approximately \$1.23 per share, payable to shareholders of record on December 22, 2004.

In connection with this tender offer, the Company issued \$500 million in 5.25% notes due 2014 in October 2004. Additionally, in November 2004, a \$500 million term loan agreement and a new \$1 billion unsecured revolving credit

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facility, which replaced the Company's existing \$750 million facility, became effective. The Facility is available to support the Company's commercial paper and letter of credit programs, which may be used from time to time to fund working capital and other general corporate requirements. Borrowings outstanding under the Facility, if any, are due in November 2009. Fees payable under the Facility are based on the Company's long-term credit ratings, and are currently 0.15% of the committed amount per year.

Borrowings outstanding under the new revolving credit facility, if any, are due in November 2009. The amount outstanding under the Term Loan agreement is due in quarterly installments of \$25 million from March 2007 to December 2008 and \$75 million from March 2009 to December 2009.

The Facility and the Term Loan have several interest rate options, which are based in part on the Company's long-term credit ratings, and require the Company to maintain certain specified fixed charge and debt to earnings ratios.

### *Capital Expenditures*

Capital expenditures amounted to \$364.8 million and \$232.1 million for the thirty-nine weeks ended October 30, 2004 and November 1, 2003, of which approximately \$332 million and \$176 million, respectively, were for new stores and for the remodeling of and improvements to existing stores. Remaining capital expenditures were primarily related to information technology.

The Company anticipates spending approximately \$500 million for capital expenditures in 2004, the majority of which relates to the remodeling of and improvements to existing stores. The increase in capital spending in 2004 is primarily driven by remodeling activities related to key initiatives including (i) our mall remodel strategy focused on high performance stores in the top markets, (ii) the introduction of the Pink product line at Victoria's Secret and (iii) the Express Design Studio, a new wear-to-work assortment at Express. The Company expects that 2004 capital expenditures will be funded principally by net cash provided by operating activities.

### *Contingent Liabilities and Contractual Obligations*

The Company's contingent liabilities include approximately \$403 million of remaining lease and lease related guarantees related to the divestiture of several former subsidiaries, as well as a \$25 million guarantee related to the Company's investment in Easton Town Center. As of October 30, 2004, the Company also had a \$31 million standby letter of credit on which the City of Columbus, Ohio (the "City") could draw solely to pay principal and interest on public bonds issued by the City for infrastructure development at Easton. In November 2004, the City determined that this letter of credit was no longer required and terminated the letter of credit agreement. These contingent liabilities are discussed further in Note 11 to the Consolidated Financial Statements.

The Company's contractual obligations primarily consist of long-term debt, operating leases, purchase orders for merchandise inventory and other agreements to purchase goods and services that are legally binding and that require minimum quantities to be purchased. Except as noted below, there have been no significant changes in the Company's contractual obligations since January 31, 2004, other than those which occur in the normal course of business (primarily changes in the Company's merchandise inventory related purchase obligations, which fluctuate throughout the year as a result of the seasonal nature of the Company's operations).

During 2004, the Company entered into two four-year telecommunication contracts related to national and international service which together require minimum spending of approximately \$20 million per year through May 2008.

### *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.

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### *Critical Accounting Policies and Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period, as well as the related disclosure of contingent assets and liabilities at the date of the financial statements. On an on-going basis, management evaluates its estimates and judgments, including those related to inventories, long-lived assets and contingencies. Management bases its estimates and judgments on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Management has discussed the development and selection of the Company's critical accounting policies and estimates with the Audit Committee of the Board of Directors and believes the following assumptions and estimates are most significant to reporting the Company's results of operations and financial position.

- *Inventories* - Inventories are valued at the lower of average cost or market, on a weighted average cost basis, using the retail method. The Company records a charge to cost of goods sold for all inventory on hand when a permanent retail price reduction is reflected in its stores. In addition, management makes estimates and judgments regarding, among other things, initial markup, markdowns, future demand and market conditions, all of which significantly impact the ending inventory valuation. Inventory valuation at the end of the first and third quarters reflects adjustments for estimated inventory markdowns for the spring (first and second quarters) and fall (third and fourth quarters) selling seasons. If actual future demand or market conditions are different than those projected by management, future period merchandise margin rates may be unfavorably or favorably affected. Other significant estimates related to inventory include shrink and obsolete and excess inventory which are also based on historical results and management's operating projections.
- *Valuation of Long-lived Assets* – Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Trade names are reviewed for impairment annually by comparing the fair value to the carrying value. Goodwill is reviewed annually for impairment by comparing each reporting unit's carrying value to its fair value. Factors used in the valuation of long-lived assets, trade names and goodwill include, but are not limited to, management's plans for future operations, brand initiatives, recent operating results and projected cash flows. If future economic conditions are different than those projected by management, additional impairment charges may be required.
- *Claims and Contingencies* – The Company is subject to various claims and contingencies related to lawsuits, insurance, regulatory and other matters arising out of the normal course of business. The Company's determination of the treatment of claims and contingencies in the financial statements is based on management's view of the expected outcome of the applicable claim or contingency. The Company consults with legal counsel on matters related to litigation and seeks input from other experts both within and outside the Company with respect to matters in the ordinary course of business. The Company accrues a liability if the likelihood of an adverse outcome is probable and the amount is estimable. If the likelihood of an adverse outcome is only reasonably possible (as opposed to probable), or if an estimate is not determinable, disclosure of a material claim or contingency is made in the Notes to the Consolidated Financial Statements.
- *Income Taxes* - Significant judgment is required in determining the provision for income taxes and related accruals, deferred tax assets and liabilities. In the ordinary course of business, there are transactions and calculations where the ultimate tax outcome is uncertain. Additionally, the Company's tax returns are subject to audit by various domestic and foreign tax authorities. Although the Company believes that its estimates are reasonable, actual results could differ from these estimates resulting in a final tax outcome that may be materially different from that which is reflected in the Company's Consolidated Financial Statements.
- *Revenue Recognition* - While the Company's recognition of revenue does not involve significant judgment, revenue recognition represents an important accounting policy of the Company. The Company recognizes revenue upon customer receipt of the merchandise, which for catalogue and e-commerce revenues reflects an estimate for shipments that have not been received by the customer based on shipping terms. The Company also provides a reserve for projected merchandise returns based on prior experience.



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### Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The market risk of the Company's financial instruments as of October 30, 2004 has not significantly changed since January 31, 2004. Information regarding the Company's financial instruments and market risk as of January 31, 2004 is disclosed in the Company's 2003 Annual Report on Form 10-K.

### Item 4. CONTROLS AND PROCEDURES

*Explanation of disclosure controls and procedures.* Our chief executive officer and our chief financial officer, after evaluating the effectiveness of the Company's "disclosure controls and procedures" (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report (the "Evaluation Date"), have concluded that as of the Evaluation Date, our disclosure controls and procedures were adequate and effective and designed to ensure that material information relating to us and our consolidated subsidiaries would be made known to them by others within those entities.

*Changes in internal control over financial reporting.* There were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that occurred in our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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### PART II—OTHER INFORMATION

#### Item 1. LEGAL PROCEEDINGS

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

In May and June 1999, purported shareholders of the Company filed three derivative actions in the Court of Chancery of the State of Delaware, naming as defendants the members of the Company's Board of Directors and the Company, as nominal defendant. The operative complaint generally alleged that the rescission of the Contingent Stock Redemption Agreement previously entered into by the Company with Leslie H. Wexner and The Wexner Children's Trust (the "Contingent Stock Redemption Agreement") constituted a waste of corporate assets and a breach of the board members' fiduciary duties, and that the issuer tender offer completed on June 3, 1999 was a "wasteful transaction in its own right." On February 25, 2004, the parties agreed to a settlement of the litigation. Under the terms of the settlement, Mr. Wexner, his immediate family members and affiliated entities agreed not to tender any shares in the issuer tender offer commenced by the Company on February 27, 2004 and not to sell any shares of Limited Brands common stock for a period commencing February 25, 2004 and ending six months after completion of the tender offer. In addition, Mr. Wexner agreed to contribute to the Company an amount equal to one half of plaintiffs' counsel fees and expenses awarded by the Court, with Mr. Wexner to contribute more than one half to the extent necessary to limit the Company's contribution to \$3 million. Such contribution may be effected through the forfeiture of stock options, the payment of cash or other consideration. On August 10, 2004, the Court of Chancery entered a judgment approving the settlement and awarding to plaintiffs counsel fees and expenses of \$7 million, over the objections of two alleged shareholders of the Company. In September 2004, the objectors appealed the approval of the settlement and the award of fees and expenses to the Delaware Supreme Court. The plaintiffs and Mr. Wexner then reached a separate settlement with the objectors, pursuant to which the objectors agreed to dismiss their appeal. The Company has no additional obligations pursuant to this settlement with the objectors. The Delaware Court of Chancery has modified the final judgment to reflect this additional settlement, and the Delaware Supreme Court has granted the objectors' request to dismiss their appeal. Accordingly, this matter is now fully resolved.

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

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## Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table outlines the Company's repurchases of its common stock during the third quarter ended October 30, 2004:

<u>Period</u>	<u>Total Number of Shares Purchased (1)</u>	<u>Average Price Paid Per Share (2)</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Programs (3)</u>	<u>Maximum Number of Shares (or approximate Dollar value) that May Yet Be Purchased (3)</u>
August	2,207,571	\$ 19.54	2,179,800	\$ 250,000,000
September	708,308	\$ 21.04	696,100	\$ 235,355,320
October	6,235	\$ 23.95	—	\$ 2,000,000,000
<b>Total</b>	<b>2,922,114</b>	<b>\$ 19.91</b>	<b>2,875,900</b>	<b>\$ 2,000,000,000</b>

(1) The total number of shares repurchased primarily includes shares repurchased as part of publicly announced programs, with the remainder relating to shares repurchased in connection with (i) tax payments due upon vesting of employee restricted stock awards, and (ii) the use of the Company's stock to pay the exercise price on employee stock options.

(2) The average price paid per share includes any broker commissions.

(3) On May 17, 2004, the Company announced that its Board of Directors had authorized the repurchase of \$100 million of the Company's common stock. Share repurchases under this authorization were completed in August 2004.

On August 19, 2004, the Company announced that its Board of Directors authorized an additional \$250 million share repurchase program.

On October 6, 2004, the Company announced that its Board of Directors had authorized the repurchase of \$2 billion of the Company's common stock through a modified "Dutch Auction" tender offer, superseding the \$250 million repurchase program.

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### Item 6. EXHIBITS

#### Exhibits.

- 10.1 Five-Year Revolving Credit Agreement, dated as of October 6, 2004, among Limited Brands, Inc., the Lenders party thereto, JPMorgan Chase Bank, as Administrative Agent, and Bank of America, N.A. and Citicorp North America, Inc., as Co-Syndication Agents, incorporated by reference to Exhibit 12(b)(i) to the Schedule TO filed by the Company with the Commission on October 7, 2004.
- 10.2 Term Loan Credit Agreement, dated as of October 6, 2004, among Limited Brands, Inc., the Lenders party thereto, JPMorgan Chase Bank, as Administrative Agent, and Bank of America, N.A. and Citicorp North America, Inc., as Co-Syndication Agents, incorporated by reference to Exhibit 12(b)(ii) to the Schedule TO filed by the Company with the Commission on October 7, 2004.
- 10.3 Form of Aircraft Time Sharing Agreement between Limited Service Corporation and participating officers and directors.
- 15 Letter re: Unaudited Interim Financial Information to Securities and Exchange Commission re: Incorporation of Report of Independent Registered Public Accounting Firm.
- 31.1 Section 302 Certification of CEO.
- 31.2 Section 302 Certification of CFO.
- 32 Section 906 Certification (by CEO and CFO).



**AIRCRAFT TIME SHARING AGREEMENT**

This Aircraft Time Sharing Agreement (“Agreement”) is entered into effective as of December \_\_, 2004 (the “Effective Date”) by and between **LIMITED SERVICE CORPORATION**, a Delaware corporation (“Operator”), and each of the individuals whose name and signature appears on Schedule 1 hereto, as the same may be amended from time to time (each, a “Time Share Lessee”).

**Recitals:** This Agreement is made under the following circumstances.

- A. Operator controls and operates in the legal capacity of lessee each of the Aircraft (as defined and described below).
- B. Operator employs (or contracts for the services of) a fully qualified flight crew to operate each Aircraft.
- C. Each Time Share Lessee desires from time to time to sublease the Aircraft, with a flight crew, on a non-exclusive basis, from Operator on a time sharing basis as defined in Section 91.501(c)(1) of the FAR.
- D. Operator is willing to sublease the Aircraft, with flight crew, on a non-exclusive basis, to Time Share Lessees on a time sharing basis.
- E. During the Term of this Agreement, the Aircraft will be subject to use by Operator and/or other one or more subleases to third-parties.

NOW, THEREFORE, each Time Share Lessee and Operator, in consideration of the promises of the other set forth herein, intending to be legally bound, hereby agree as follows.

**Section 1. Definitions.**

- 1.1. Specific Terms.** The following defined terms shall have the following meanings when used in this Agreement. The meanings assigned by this Agreement shall apply to the plural, singular, possessive or any other form of the term. Words of the masculine, feminine or neuter gender include all other genders.

“**Agreement**” is defined in the preamble.

“**Aircraft**” means each of the Airframes, the Engines, and the Aircraft Documents. Such Engines shall be deemed part of the “Aircraft” whether or not from time to time attached to the Airframe or removed from the Aircraft.

“**Aircraft Documents**” means, as to any Aircraft, all flight records, maintenance records, historical records, modification records, overhaul records, manuals, logbooks, authorizations, drawings and data relating to the Airframe, any Engine, or any Part, that are required by Applicable Law to be created or maintained with respect to the maintenance and/or operation of the Aircraft.

“**Airframe**” means each of the Airframes listed in Schedule 2 attached hereto and made a part hereof, as the same may be amended from time to time as set forth below, together with any and all Parts (including, but not limited to, landing gear and auxiliary power units but excluding Engines or engines) so long as such Parts shall be either incorporated or installed in or attached to the Airframe.

“**Applicable Law**” means, without limitation, all applicable laws, treaties, international agreements, decisions and orders of any court, arbitration or governmental agency or authority and rules, regulations, orders, directives, licenses and permits of any governmental body, instrumentality, agency or authority, including, without limitation, the FAR and 49 U.S.C. § 41101, *et seq.*, as amended.

“**Business Day**” means Monday through Friday, exclusive of legal holidays under the laws of the United States, or the State of Ohio.

“**Effective Date**” means the date so specified in the preamble of this Agreement.

“**Engines**” means, as to each Airframe, the engines identified in Schedule 2 (or any replacement or loaner engines), as the same may be amended from time to time as set forth below, together with any and all Parts so long as the same shall be either incorporated or installed in or attached to such Engine.

“**FAA**” means the Federal Aviation Administration or any successor agency.

“**FAR**” means collectively the Aeronautics Regulations of the Federal Aviation Administration and the Department of Transportation, as codified at Title 14, Parts 1 to 399 of the United States Code of Federal Regulations.

“**Flight Charges**” means the amount calculated under Section 4.1 below.

“**Flight Hour**” means each flight hour, calculated in tenths of an hour, of use of the Aircraft by a Time Share Lessee, as recorded on the Aircraft hour meter.

“**Headlease**” means, as to any Aircraft, the Aircraft Lease Agreement between the Owner and Operator, as the same may be amended from time to time, the terms and conditions of which are incorporated into this Agreement by reference.

“**Operating Base**” means Port Columbus Airport, Columbus, Ohio.

“**Operational Control**” has the same meaning given the term in Section 1.1 of the FAR.

“**Operator**” is defined in the preamble.

“**Owner**” means, as to each Aircraft, the registered owner of the Aircraft as shown by the records of the FAA.

“**Parts**” means, as to any Aircraft, all appliances, components, parts, instruments, appurtenances, accessories, furnishings or other equipment of whatever nature (other than complete Engines or engines) which may from time to time be incorporated or installed in or attached to the Airframe or any Engine and includes replacement parts.

“**Pilot in Command**” has the same meaning given the term in Section 1.1 of the FAR.

“**Taxes**” means all sales taxes, use taxes, retailer taxes, duties, fees, excise taxes (including, without limitation, federal transportation excise taxes), or other taxes of any kind which may be assessed or levied by any Taxing Jurisdiction as a result of the sublease of the Aircraft to a Time Share Lessee, or the use of the Aircraft by a Time Share Lessee, or the provision of a taxable transportation service to a Time Share Lessee using the Aircraft.

“**Taxing Jurisdictions**” means any federal, state, county, local, airport, district, foreign, or other governmental authority that imposes Taxes.

“**Term**” means the term of this Agreement set forth in Section 3.

“**Time Share Lessee**” is defined in the preamble. Upon execution of any supplements to Schedule 1, each person named in and signing the supplement shall become an additional Time Sharing Lessee, effective as of the date shown therein as to that person.

- 1.2. **Other Terms.** Unless otherwise specified, the following terms, whether or not capitalized, will have the following meanings as used in this Agreement. “Hereof”, “herein”, “hereunder” and similar terms refer to this

Agreement as a whole, and are not limited to the section or subdivision of this Agreement in which the term appears. "Includes, "including" and similar terms mean without limitation. "Person" includes any natural person, corporation, general or limited partnership, limited liability company, other incorporated or unincorporated association, trust, governmental body or other entity.

## Section 2. Agreement to Sublease.

- 2.1. Agreement to Sublease.** Operator agrees to sublease the Aircraft to Time Share Lessees on an "as needed and as available" basis, and to provide a fully qualified flight crew for all flights of each Time Share Lessee, in accordance with the terms and conditions of this Agreement.
- 2.2. Independent Agreements.** The Time Share Lessees are listed in a single document for the sole purpose of convenience of the Operator. This Agreement shall be deemed a separate Time Sharing Agreement as between Operator and each Time Share Lessee. Without limiting the preceding sentence:
- 2.2.1.** Operator may from time to time agree to add additional persons as a Time Share Lessee, without notice to the existing Time Share Lessees. Each such agreement will be evidenced by a supplement to Schedule 1, signed by Operator and the new Time Share Lessee(s), setting forth the new Time Share Lessee's notice address, the date as to which this Agreement becomes effective as to the new Time Share Lessee, and his or her commitment to be bound by this Agreement.
- 2.2.2.** The rights and obligations of each Time Share Lessee are independent of one another. Under no circumstances will any Time Share Lessee be deemed liable for any monetary or non-monetary obligations of any other Time Share Lessee hereunder, whether jointly, severally, or by way of suretyship or guaranty.
- 2.2.3.** Termination of this Agreement as to any one or more of the Time Share Lessees shall not be deemed to be a termination as to any other Time Share Lessee.
- 2.3. Intent and Interpretation.** The parties hereto intend that this Agreement shall constitute, and this Agreement shall be interpreted as, a *Time Sharing Agreement* as defined in Section 91.501(c)(1) of the FAR.
- 2.4. Non-Exclusivity.** Each Time Share Lessee acknowledges that the Aircraft is subleased to Time Share Lessees hereunder on a non-exclusive basis, and that the Aircraft will also be subject use by Operator and Operator's parent, subsidiaries, and affiliates, and may also be subject to non-exclusive sublease to others during the Term.

**Section 3. Term.** As to each Time Share Lessee, the term of this Agreement begins on the Effective Date, and ends on the December 31 next following; provided, however, that as to any person added as a Time Share Lessee after the Effective Date pursuant to Section 2.2.1 above, the Term shall begin on the date specified in the supplement to Schedule 1 adding the person as a Time Share Lessee. At the end of the initial Term or any subsequent Term, this Agreement shall automatically be renewed for an additional one (1) year Term. The foregoing notwithstanding:

- A)** This Agreement shall end as to any Time Share Lessee at such time as that Time Share Lessee is neither an officer, director or employee of Operator nor of any parent corporation, subsidiary or affiliate of Operator.
- B)** Each Time Share Lessee shall have the right to terminate this Agreement with or without cause on thirty (30) days written notice to the Operator, and the Operator shall have right to terminate this Agreement as to any one or more Time Share Lessees with or without cause on thirty (30) days written notice to the Time Share Lessee or Lessees in question, without need in either case to notify any Time Share Lessee as to whom the Agreement is not being terminated.

## Section 4. Payments.

- 4.1. Flight Charges.** Each Time Share Lessee shall pay Operator for each flight conducted for that Time Share Lessee under this Agreement an amount equal to that Time Share Lessee's pro rata share of the lesser of:
- 4.1.1.** An amount equal to the product of the number of Flight Hours of the duration of the flight, rounded to the nearest 1/10th of a Flight Hour, multiplied by the *Total Direct Costs Per Flight Hour* for the make and model of Aircraft as published by *Conklin & de Decker Aviation Information*, as updated from time to time; and



- 4.1.2. An amount equal to the maximum amount of expense reimbursement permitted in accordance with Section 91.501(d) of the FAR, which expenses include and are limited to:
- a) fuel, oil, lubricants, and other additives;
  - b) travel expenses of the crew, including food, lodging and ground transportation;
  - c) hangar and tie down costs away from the Aircraft's base of operation;
  - d) insurance obtained for the specific flight;
  - e) landing fees, airport taxes and similar assessments;
  - f) customs, foreign permit, and similar fees directly related to the flight;
  - g) in-flight food and beverages;
  - h) passenger ground transportation;
  - i) flight planning and weather contract services; and
  - j) an additional charge equal to 100% of the expenses listed in Section 4.1.2(a).

- 4.2. **Pro Rata Share.** If two or more Time Share Lessees lease the Aircraft for the same flight segment, the Flight Charges for that segment shall be allocated between or among them on a pro rata basis.

**Section 5. Invoices and Payment.** Operator will initially pay all expenses related to the operation of the Aircraft when and as such expenses are incurred, provided that within thirty (30) days after the last day of any fiscal quarter (according to Operator's fiscal year) during which any flight for the account of a Time Share Lessee has been conducted, Operator shall provide an invoice to that Time Share Lessee for an amount determined in accordance with Section 4 above. Time Share Lessee shall remit the full amount of any such invoice, together with any applicable Taxes under Section 6, to Operator promptly within thirty (30) days of the invoice date.

**Section 6. Taxes.** None of the payments to be made by any Time Share Lessee under Sections 4 and 5 of this Agreement includes, and each Time Share Lessee shall be responsible for, shall indemnify and hold harmless Operator and Owner against, any Taxes which may be assessed or levied by any Taxing Jurisdiction as a result of the sublease of the Aircraft to that Time Share Lessee, or the use of the Aircraft by that Time Share Lessee, or the provision of a taxable transportation service to that Time Share Lessee using the Aircraft. Without limiting the generality of the foregoing, Time Share Lessees and Operator specifically acknowledge that all Time Share Lessees' flights will be subject to commercial air transportation excise taxes pursuant to Section 4261 of the Internal Revenue Code, regardless of whether any such flight is considered "noncommercial" under the FAR. Time Share Lessee shall remit to Operator all such Taxes together with each payment made pursuant to Section 5.

**Section 7. Scheduling Flights.**

- 7.1. **Submitting Flight Requests.** Each Time Share Lessee shall submit requests for flights and proposed flight schedules to Operator as far in advance of any given flight as possible, and in any case, at least 24 hours in advance of Time Share Lessee's planned departure. Time Share Lessee shall provide Operator at least the following information for each proposed flight at least 24 hours prior to scheduled departure: departure airport;

destination airport; date and time of departure; the number of anticipated passengers; the nature and extent of luggage and/or cargo to be carried; the date and time of return flight, if any; and any other information concerning the proposed flight that may be pertinent or required by Operator or Operator's flight crew.

- 7.2. **Approval of Flight Requests.** Each use of an Aircraft by a Time Share Lessee shall be subject to Operator's prior approval. Operator may approve or deny any flight scheduling request in Operator's sole discretion. Scheduling requests not approved in writing by 5:00 p.m. Columbus local time on the 2nd Business Day after the request is received by Operator shall be deemed denied. Operator shall be under no obligation to approve any flight request submitted by a Time Share Lessee, and shall have final authority over the scheduling of the Aircraft; provided, however, that Operator will use reasonable efforts to accommodate Time Share Lessee's needs and avoid conflicts in scheduling. If two or more Time Share Lessees make conflicting requests for use of the Aircraft, Operator shall have sole discretion to determine which, if any, of such requests to accommodate. Operator shall have sole discretion to determine which of the Aircraft, if any, to make available in response to the Time Share Lessee's request.
- 7.3. **Subordinated Use of Aircraft.** Each Time Share Lessee's rights to schedule use of the Aircraft during the Term of this Agreement shall at all times be subordinate to the Aircraft use requirements of Operator, and any parent corporation, subsidiary or affiliate of Operator (each an "Operator Related Entity"), and Operator and each Operator Related Entity shall at all times be entitled to preempt any scheduled, unscheduled, and anticipated use of the Aircraft by a Time Share Lessee, notwithstanding any prior approval by Operator of a request by such Time Share Lessee to schedule a flight.
- 7.4. **Priority Use of Aircraft.** Time Share Lessees' rights to schedule use of the Aircraft during the Term of this Agreement shall, subject to Section 7.2, at all times be superior to the Aircraft use requirements of any person to whom Operator has subleased or hereafter subleases the Aircraft other than another Time Share Lessee or an Operator Related Entity (any such person an "Unrelated Sublessee"), and a Time Share Lessee shall at all times be entitled to preempt any scheduled, unscheduled, and anticipated use of the Aircraft by any Unrelated Sublessee.

#### Section 8. Title and Operation.

- 8.1. **Title and Registration; Subordination.** Owners have exclusive legal and equitable title to the Aircraft, and Operator has priority leasehold possessory rights to the Aircraft pursuant to the Headlease. Each Time Share Lessee acknowledges that title to the Aircraft shall remain vested in Owner, and each Time Share Lessee undertakes, to the extent permitted by Applicable Law, to do all such further acts, deeds, assurances or things as may, (i) in the reasonable opinion of the Owner, be necessary or desirable in order to protect or preserve Operator's title to the Aircraft, and (ii) in the reasonable opinion of the Operator, be necessary or desirable in order to protect or preserve Operator's rights under the Headlease. Notwithstanding anything in this Agreement to the contrary, any rights Time Share Lessee may have in or to the Aircraft by virtue of this Agreement, including Time Share Lessee's rights to use of the Aircraft, are in all respects subordinate, junior, and subject to Owner's rights and interests under the Headlease, including, without limitation, the right of Owner to take possession of the Aircraft and Engines upon Operator's default under the Headlease. To the extent requested by Owner, its successors or assigns, each Time Share Lessee shall take all action necessary to continue all right, title and interest of Owner, its successors or assigns in the Aircraft under Applicable Law against any claims of any Time Share Lessee and any persons claiming by, through or under such Time Share Lessee.
- 8.2. **Aircraft Maintenance and Flight Crew.** Operator shall be solely responsible for maintenance, preventive maintenance and required or otherwise necessary inspections of the Aircraft, and shall take such requirements into account in scheduling the Aircraft. No period of maintenance, preventative maintenance, or inspection shall be delayed or postponed for the purpose of scheduling the Aircraft, unless said maintenance or inspection can be safely conducted at a later time in compliance with all Applicable Law, and with the sound discretion of the pilot in command.
- 8.3. **Flight Crews.** Operator shall provide to Time Share Lessee a qualified flight crew for each flight conducted

in accordance with this Agreement. Operator may, if it so chooses, elect not to hire its own pilots for any given flight hereunder, but to contract instead for pilot services from a third party vendor. Whether or not the flight crew is supplied by a third party vendor, the flight crew is under the exclusive command and control of Operator in all phases of all flights conducted hereunder.

- 8.4. OPERATIONAL CONTROL.** THE PARTIES EXPRESSLY AGREE THAT OPERATOR SHALL HAVE AND MAINTAIN OPERATIONAL CONTROL OF THE AIRCRAFT FOR ALL FLIGHTS OPERATED UNDER THIS AGREEMENT, AND THAT THE INTENT OF THE PARTIES IS THAT THIS AGREEMENT CONSTITUTE A "TIME SHARING AGREEMENT" AS SUCH TERM IS DEFINED IN SECTION 91.501(C)(1) OF THE FAR. OPERATOR SHALL EXERCISE EXCLUSIVE AUTHORITY OVER INITIATING, CONDUCTING, OR TERMINATING ANY FLIGHT CONDUCTED ON BEHALF OF A TIME SHARE LESSEE PURSUANT TO THIS AGREEMENT.
- 8.6. Authority of Pilot In Command.** Notwithstanding that Operator shall have Operational Control of the Aircraft during any flight conducted pursuant to this Agreement, Operator and the Time Share Lessees expressly agree that the Pilot in Command, in his or her sole discretion, may terminate any flight, refuse to commence any flight, or take any other flight-related action which in the judgment of the Pilot in Command is necessitated by considerations of safety. The Pilot in Command shall have final and complete authority to postpone or cancel any flight for any reason or condition which in his or her judgment would compromise the safety of the flight. No such action of the Pilot in Command shall create or support any liability of Operator to a Time Share Lessee for loss, injury, damage or delay.
- 8.7. Force Majeure.** Operator shall not be liable for delay or failure to furnish the Aircraft and flight crew pursuant to this Agreement when such failure is caused by government regulation or authority, mechanical difficulty, war, civil commotion, strikes or labor disputes, weather conditions, acts of God or other unforeseen or unanticipated circumstances.

**Section 9. Headleases; Addition or Deletion of Aircraft.** The Time Share Lessees shall be furnished with a copy of any Headlease upon written request. Any such copy shall be deemed proprietary information belonging solely to Operator, and shall be treated as confidential by the Time Share Lessee. Operator and the Owner from time to time, in their sole discretion, may amend, modify or terminate any Headlease, or enter into one more new Headleases. Upon notice to the Time Share Lessees, Operator may in its sole discretion modify this Agreement by adding Aircraft to or deleting Aircraft from Schedule 2. The notice shall be accompanied by a copy of the revised Schedule 2, showing the effective date of the revised Schedule 2. Upon the sending of such notice, the revised Schedule 2 shall for all purposes supersede all previous editions of Schedule 2, the Term shall end as to any Aircraft that have been deleted from Schedule 2, and shall begin as to any Aircraft that have been added to Schedule 2.

**Section 10. Insurance.** Operator shall maintain, or cause to be maintained insurance in such amounts and against such perils and liability as is required by time to time by the Headleases, including bodily injury and property damage, liability insurance and all risks aircraft hull insurance, naming such loss payees as the Headleases may require. Further, Operator will cause each Time Share Lessee to be named as an Additional Insured on all such policies of insurance, and Operator will provide any Time Share Lessee with a Certificate of Insurance upon request.

**Section 11. Representations and Warranties.** Each Time Share Lessee represents and warrants, for him or herself only, that Time Share Lessee shall:

- A) Use the Aircraft solely for and on account of his or her own personal or business use, and will not use the Aircraft for the purpose of providing transportation of passengers or cargo for compensation or hire;
- B) Refrain from incurring any mechanic's or other lien in connection with inspection, preventative maintenance, maintenance or storage of the Aircraft, whether permissible or impermissible under this Agreement;
- C) Not attempt to convey, mortgage, assign, lease, sublease, or any way alienate the Aircraft or create any kind of lien or security interest involving the Aircraft or do anything or take any action that might mature into such a lien; and

- D) Abide by and conform, during the Term, to all Applicable Laws, governmental and airport orders, rules and regulations, as shall from time to time be in effect relating in any way to the operation and use of the Aircraft by a time sharing Time Share Lessee.

## 12. Miscellaneous.

- 12.1. **Notices.** All notices hereunder shall be delivered by hand, sent by reputable guaranteed overnight delivery service, or sent by first-class United States mail, certified, postage prepaid, return receipt requested. Notice shall be deemed given when delivered or sent in the manner provided herein.

If to Operator:  
 Limited Brands Flight Department  
 4387 International Gateway  
 Columbus, OH 43219  
 Attention: Mr. Timothy P. Stehle

If to a Time Share Lessee:  
 At the address set forth for the Time  
 Share Lessee in Schedule 1

At any time, Operator may change its address for purposes of notices under this Agreement by giving notice to the Time Share Lessees as set forth in this Section 12.1, and any Time Share Lessee may change its address for purposes of notices under this Agreement by giving notice to Operator as set forth in this Section 12.1.

- 12.2. **No Waiver.** No purported waiver by either party of any default by the other party of any term or provision contained herein shall be deemed to be a waiver of such term or provision unless the waiver is in writing and signed by the waiting party. No such waiver shall in any event be deemed a waiver of any subsequent default under the same or any other term or provision contained herein.
- 12.3. **Entire Agreement.** This Agreement sets forth the entire understanding between the parties concerning the subject matter this Agreement and incorporates all prior negotiations and understandings. There are no covenants, promises, agreements, conditions or understandings, either oral or written, between them relating to the subject matter of this Agreement other than those set forth herein. No representation or warranty has been made by or on behalf of any party (or any officer, director, employee or agent thereof) to induce any other party to enter into this Agreement or to abide by or consummate any transaction contemplated by any terms of this Agreement, except representations and warranties, if any, expressly set forth herein. No alteration, amendment, change or addition to this Agreement shall be binding upon either party unless in writing and signed by the party to be charged. Whenever in this Agreement any printed portion has been stricken out, whether or not any relative provision has been added, this Agreement shall be construed as if the material so stricken was never included herein and no inference shall be drawn from the material so stricken out which would be inconsistent in any way with the construction or interpretation which would be appropriate if such material were never contained herein.
- 12.4. **No Agency or Partnership.** Nothing contained in this Agreement shall be deemed or construed by the parties hereto or by any third person to create the relationship of principal and agent or of partnership or of joint venture.
- 12.5. **Successors and Assigns.** Each and all of the provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto, and except as otherwise specifically provided in this Agreement, their respective successors and assigns, provided, however, that neither this Agreement, nor any rights herein granted may be assigned, transferred or encumbered by any party, and any purported or attempted transfer or assignment by either party without the written consent of the other shall be void and of no effect; provided, however, that the rights and obligations of the Operator may be assigned without the consent of the Time Share Lessees to any assignee of Operator's rights and obligations under the Headlease.
- 12.6. **Third Parties.** Nothing herein expressed or implied is intended or shall be construed to confer upon or give any person other than the parties hereto and their successors or assigns, any rights or remedies under or by reason of this Agreement.

- 12.7. Joint Preparation.** This Agreement is to be deemed to have been prepared jointly by the parties hereto, and any uncertainty or ambiguity existing herein, if any, shall not be interpreted against any party, but shall be interpreted according to the application of rules of interpretation for arm's-length agreements.
- 12.8. Captions; Recitals.** The captions and section numbers appearing this Agreement are inserted only as a matter of convenience. They do not define, limit, construe or describe the scope or intent of the provisions of this Agreement. The Recitals at the beginning of this Agreement are intended to give an understanding of the factual background that led the parties to enter into this Agreement. The Recitals are not intended to be warranties, representations, covenants, or otherwise contractually binding.
- 12.9. Prohibited or Unenforceable Provisions.** Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibitions or unenforceability in any jurisdiction. To the extent permitted by applicable law, each of Operator and Time Share Lessee hereby waives any provision of applicable law which renders any provision hereof prohibited or unenforceable in any respect.
- 12.10. Governing Law.** This Agreement shall be governed and construed by the provisions hereof and in accordance with the laws of the State of Ohio applicable to agreements to be performed in the State of Ohio, without giving effect to its conflict of laws provisions.
- 12.11. Counterparts.** This Agreement may be executed in several counterparts, and/or by execution of counterpart signature pages which may be attached to one or more counterparts, and all counterparts so executed shall constitute one agreement binding on all of the parties hereto, notwithstanding that all the parties are not signatory to the original or to the same counterpart. In addition, any counterpart signature page may be executed by any party wherever that party is located, and may be delivered by telephone facsimile transmission, and any such facsimile transmitted signature page may be attached to one or more counterparts of this Agreement, and such faxed signature(s) shall have the same force and effect, and be as binding, as original signatures executed and delivered in person.
- 12.12. Manual Signatures Required.** Any acceptance, signature, execution or validation of this Agreement or any communication or notice required hereunder, shall be manually signed and delivered by hard copy or by fax. No purported offer, acceptance, agreement, or binding agreement in connection with this transaction shall be made by automated agent, electronic agent, electronic mail, electronic signature, telephonic voice mail, sound recording, or other electronic means of any kind (other than fax), all as such terms are defined in the Uniform Electronic Transactions Act ("UETA", Ohio Revised Code Chapter 1306), the Electronic Signatures in Global and National Commerce Act ("ESIGN", U.S. Code Sections 7001 et seq.), or any similar state or federal legislation. This Section is intended as an express disclaimer of intent, and an express refusal, under UETA and ESIGN to conduct this transaction by electronic means. This Section cannot be waived except by manually signed, written consent of both parties.

**Section 13. Amendments, Addenda and Supplements.** Each Time Share Lessee (including every person who later becomes a Time Share Lessee) authorizes Operator at any time, and from time to time, to do any or all of the following in the name of, and on behalf of, the Time Share Lessee, which authorization and power is coupled with an interest and shall be irrevocable:

**A)** Execute and deliver any document (including amendments, addenda or supplements to this Agreement) evidencing:

- (i) The addition of any person or persons as Time Share Lessee;
- (ii) The cessation of the term of this Agreement as to any person or persons as Time Share Lessee; or
- (iii) The addition, withdrawal or substitution of any of the Aircraft.

B) Filing any such document with the FAA and/or such other governmental agencies or offices as Operator shall judge to be necessary or desirable.

**Section 14. DISCLAIMER.** THE AIRCRAFT IS BEING SUBLEASED BY THE OPERATOR TO THE TIME SHARE LESSEES HEREUNDER ON A COMPLETELY "AS IS, WHERE IS," BASIS, WHICH IS ACKNOWLEDGED AND AGREED TO BY THE TIME SHARE LESSEES. THE WARRANTIES AND REPRESENTATIONS SET FORTH IN THIS AGREEMENT ARE EXCLUSIVE AND IN LIEU OF ALL OTHER REPRESENTATIONS OR WARRANTIES WHATSOEVER, EXPRESS OR IMPLIED, AND OPERATOR HAS NOT MADE AND SHALL NOT BE CONSIDERED OR DEEMED TO HAVE MADE (WHETHER BY VIRTUE OF HAVING SUBLEASED THE AIRCRAFT UNDER THIS AGREEMENT, OR HAVING ACQUIRED THE AIRCRAFT, OR HAVING DONE OR FAILED TO DO ANY ACT, OR HAVING ACQUIRED OR FAILED TO ACQUIRE ANY STATUS UNDER OR IN RELATION TO THIS AGREEMENT OR OTHERWISE) ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO THE AIRCRAFT OR TO ANY PART THEREOF, AND SPECIFICALLY, WITHOUT LIMITATION, IN THIS RESPECT DISCLAIMS ALL REPRESENTATIONS AND WARRANTIES CONCERNING THE TITLE, AIRWORTHINESS, VALUE, CONDITION, DESIGN, MERCHANTABILITY, COMPLIANCE WITH SPECIFICATIONS, CONSTRUCTION AND CONDITION OF THE AIRCRAFT, OR FITNESS FOR A PARTICULAR USE OF THE AIRCRAFT AND AS TO THE ABSENCE OF LATENT AND OTHER DEFECTS, WHETHER OR NOT DISCOVERABLE, AND AS TO THE ABSENCE OF ANY INFRINGEMENT OR THE LIKE, HEREUNDER OF ANY PATENT, TRADEMARK OR COPYRIGHT, AND AS TO THE ABSENCE OF OBLIGATIONS BASED ON STRICT LIABILITY IN TORT, OR AS TO THE QUALITY OF THE MATERIAL OR WORKMANSHIP OF THE AIRCRAFT OR ANY PART THEREOF OR ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED (INCLUDING ANY IMPLIED WARRANTY ARISING FROM A COURSE OF PERFORMANCE OR DEALING OR USAGE OF TRADE), WITH RESPECT TO THE AIRCRAFT OR ANY PART THEREOF. EACH TIME SHARE LESSEE HEREBY WAIVES, RELEASES, DISCLAIMS AND RENOUNCES ALL EXPECTATION OF OR RELIANCE UPON ANY SUCH AND OTHER WARRANTIES, OBLIGATIONS AND LIABILITIES OF OPERATOR AND RIGHTS, CLAIMS AND REMEDIES OF TIME SHARE LESSEE AGAINST OPERATOR, EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE, INCLUDING BUT NOT LIMITED TO (I) ANY IMPLIED WARRANTY OF MERCHANTABILITY OF FITNESS FOR ANY PARTICULAR USE, (II) ANY IMPLIED WARRANTY ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE, (III) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY IN TORT, WHETHER OR NOT ARISING FROM THE NEGLIGENCE OF OPERATOR, ACTUAL OR IMPUTED, AND (IV) ANY OBLIGATION, LIABILITY, RIGHT, CLAIM OR REMEDY FOR LOSS OF OR DAMAGE TO THE AIRCRAFT, FOR LOSS OF USE, REVENUE OR PROFIT WITH RESPECT TO THE AIRCRAFT, OR FOR ANY OTHER DIRECT, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES.

[REST OF PAGE INTENTIONALLY LEFT BLANK]

**Section 15. Truth In Leasing Disclosures.** WITHIN THE TWELVE (12) MONTH PERIOD PRECEDING THE DATE OF THIS AGREEMENT, EXCEPT TO THE EXTENT AN AIRCRAFT IS LESS THAN TWELVE (12) MONTHS OLD, THE AIRCRAFT HAVE BEEN INSPECTED AND MAINTAINED IN ACCORDANCE WITH THE FOLLOWING PROVISIONS OF TITLE 14 OF THE CODE OF FEDERAL REGULATIONS (SAID TITLE 14 HEREINAFTER REFERRED TO AS THE "FEDERAL AVIATION REGULATIONS" OR THE "FAR"): **91.409 (f) (3): A current inspection program recommended by the manufacturer.**

THE PARTIES HERETO CERTIFY THAT DURING THE TERM OF THIS AGREEMENT AND FOR ALL OPERATIONS CONDUCTED HEREUNDER, THE AIRCRAFT WILL BE MAINTAINED AND INSPECTED IN ACCORDANCE WITH THE PROVISIONS OF FAR 91.409 (f) (3).

OPERATOR SHALL HAVE AND RETAIN OPERATIONAL CONTROL OF THE AIRCRAFT DURING ALL OPERATIONS CONDUCTED PURSUANT TO THIS LEASE. EACH PARTY HERETO CERTIFIES THAT IT UNDERSTANDS THE EXTENT OF ITS RESPONSIBILITIES, SET FORTH HEREIN, FOR COMPLIANCE WITH APPLICABLE FEDERAL AVIATION REGULATIONS.

AN EXPLANATION OF FACTORS BEARING ON OPERATIONAL CONTROL AND PERTINENT FEDERAL AVIATION REGULATIONS CAN BE OBTAINED FROM THE NEAREST FEDERAL AVIATION ADMINISTRATION FLIGHT STANDARDS DISTRICT OFFICE.

**THE PARTIES HERETO CERTIFY THAT A TRUE COPY OF THIS AGREEMENT SHALL BE CARRIED ON THE AIRCRAFT AT ALL TIMES, AND SHALL BE MADE AVAILABLE FOR INSPECTION UPON REQUEST BY AN APPROPRIATELY CONSTITUTED AND IDENTIFIED REPRESENTATIVE OF THE ADMINISTRATOR OF THE FAA.**

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed effective as of the date first above written.

(Signatures of each Time Share Lessee appear on Schedule 1 attached hereto.)

LIMITED SERVICE CORPORATION

By: /s/

Print name:

Print title:

December 8, 2004

To the Board of Directors and Shareholders  
of Limited Brands, Inc.

We are aware of the incorporation by reference in the Registration Statement Form S-8 (Nos. 33-49871, 333-110465, 333-04927, 333-04941 and 333-118407) of Limited Brands, Inc. and its subsidiaries of our report dated November 18, 2004 relating to the unaudited consolidated interim financial statements of Limited Brands, Inc. and its subsidiaries that are included in its Form 10-Q for the thirteen and thirty-nine weeks ended October 30, 2004.

/s/ Ernst & Young LLP

Columbus, Ohio



## Section 302 Certification

I, Leslie H. Wexner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Limited Brands, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) [Paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986]
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Leslie H. Wexner

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Leslie H. Wexner  
Chairman and Chief Executive Officer

Date: December 8, 2004

## Section 302 Certification

I, V. Ann Hailey, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Limited Brands, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) [Paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986]
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ V. Ann Hailey

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V. Ann Hailey  
Executive Vice President and  
Chief Financial Officer

Date: December 8, 2004

## Section 906 Certification

The certification set forth below is being submitted in connection with the Quarterly Report on Form 10-Q (the "Report") for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

Leslie H. Wexner, the Chairman and Chief Executive Officer, and V. Ann Hailey, the Executive Vice President and Chief Financial Officer, of Limited Brands, Inc., each certifies that, to the best of his or her knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Limited Brands, Inc.

/s/ Leslie H. Wexner

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Leslie H. Wexner  
Chairman and Chief Executive Officer

/s/ V. Ann Hailey

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V. Ann Hailey  
Executive Vice President and Chief  
Financial Officer

Date: December 8, 2004