SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended May 1, 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

LIMITED BRANDS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**31-1029810**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
Three Limited Parkway, P.O. Box 16000, Columbus, Ohio	**43216**
(Address of principal executive offices)	**(Zip Code)**

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

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 May 28, 2004
	472,578,339 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; 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; 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.

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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	
	May 1, 2004	May 3, 2003
Net sales	$ 1,978,203	$ 1,842,297
Costs of goods sold, buying and occupancy	(1,302,549)	(1,230,234)
Gross income	675,654	612,063
General, administrative and store operating expenses	(556,282)	(503,012)
Operating income	119,372	109,051
Interest expense	(11,643)	(26,970)
Interest income	7,974	9,234
Other income (loss)	40,934	(8,471)
Gain on investee’s stock	—	79,686
Income before income taxes	156,637	162,530
Provision for income taxes	60,000	65,000
Net income	$ 96,637	$ 97,530
Net income per basic share	$ 0.19	$ 0.19
Net income per diluted share	$ 0.19	$ 0.19
Dividends per share	$ 0.12	$ 0.10

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

LIMITED BRANDS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Thousands)

	May 1, 2004	January 31, 2004	May 3, 2003
	(Unaudited)		(Unaudited)
ASSETS			
Current assets:			
Cash and equivalents	$ 1,945,407	$ 3,130,347	$ 2,243,994
Accounts receivable	123,113	112,137	114,753
Inventories	1,003,173	943,426	955,187
Other	231,091	247,037	220,596
Total current assets	3,302,784	4,432,947	3,534,530
Property and equipment, net	1,471,349	1,460,331	1,485,329
Goodwill	1,310,868	1,310,868	1,310,868
Trade names and other intangible assets, net	439,365	440,990	445,716
Other assets	172,243	234,432	329,238
Total assets	$ 6,696,609	$ 7,879,568	$ 7,105,681
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$ 397,660	$ 427,740	$ 336,711
Accrued expenses	621,180	690,206	553,198
Income taxes	101,114	279,208	110,701
Total current liabilities	1,119,954	1,397,154	1,000,610
Deferred income taxes	148,451	134,351	118,992
Long-term debt	648,256	648,218	648,106
Other long-term liabilities	411,519	434,186	449,393
Shareholders' equity:			
Common stock	261,926	261,926	261,794
Paid-in capital	1,670,381	1,673,910	1,702,006
Retained earnings	3,450,735	3,416,878	2,952,012
	5,383,042	5,352,714	4,915,812
Less: treasury stock, at average cost	(1,014,613)	(87,055)	(27,232)
Total shareholders' equity	4,368,429	5,265,659	4,888,580
Total liabilities and shareholders' equity	$ 6,696,609	$ 7,879,568	$ 7,105,681

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

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LIMITED BRANDS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Thousands)

(Unaudited)

	Thirteen Weeks Ended	
	May 1, 2004	May 3, 2003
Operating activities:		
Net income	$ 96,637	$ 97,530
Adjustments to reconcile net income to net cash used for operating activities:		
Depreciation and amortization	75,575	70,083
Gain from early collection of long-term note receivable	(24,857)	—
Gain on sale of third party warrants	(20,000)	—
Deferred income taxes	14,662	(5,430)
Stock compensation	(1,192)	7,817
Gain on sale of investee’s stock	—	(79,686)
Loss on sale of joint ventures	—	6,921
Debt extinguishment costs	—	5,594
Change in assets and liabilities:		
Accounts receivable	(10,976)	31,095
Inventories	(59,747)	11,249
Accounts payable and accrued expenses	(71,543)	(152,345)
Income taxes payable	(167,233)	(85,641)
Other assets and liabilities	(1,897)	(10,951)
Net cash used for operating activities	(170,571)	(103,764)
Investing activities:		
Capital expenditures	(101,039)	(63,554)
Collection of long-term note receivable	75,000	—
Proceeds from sale of third party warrants	20,000	—
Proceeds from sale of investee’s stock	—	130,673
Other investing activities	(4,158)	(3,886)
Net cash (used for) provided by investing activities	(10,197)	63,233
Financing activities:		
Repurchase of common stock	(1,000,000)	(27,232)
Dividends paid	(62,374)	(52,356)
Repayment of long-term debt	—	(250,000)
Proceeds from issuance of long-term debt	—	350,000
Proceeds from exercise of stock options and other	58,202	2,595
Net cash (used for) provided by financing activities	(1,004,172)	23,007
Net decrease in cash and equivalents	(1,184,940)	(17,524)
Cash and equivalents, beginning of year	3,130,347	2,261,518
Cash and equivalents, end of period	$ 1,945,407	$ 2,243,994

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 (catalog 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 periods ended May 1, 2004 and May 3, 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 May 1, 2004, one billion shares of $0.50 par value common stock were authorized, 523.9 million were issued and 472.3 million were outstanding. At January 31, 2004, 523.9 million shares were issued and 518.1 million were outstanding. At May 3, 2003, 523.6 million shares were issued and 521.4 million were outstanding. 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. On May 17, 2004, the Board of Directors of the Company authorized the repurchase of an additional $100 million of the Company's common stock.

In January 2003, the Board of Directors of the Company authorized the repurchase of $150 million of the Company's common stock. During the first quarter of 2003, the Company repurchased approximately 2.1 million shares of its common stock at an average price per share of approximately $13.

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	
	May 1, 2004	May 3, 2003
Common shares issued	523,852	523,588
Treasury shares	(17,860)	(834)
Basic shares	505,992	522,754
Dilutive effect of stock options and restricted shares	9,447	4,278
Diluted shares	515,439	527,032

The quarterly computations of earnings per diluted share exclude options to purchase 1.7 million and 25.3 million shares of common stock for the thirteen weeks ended May 1, 2004 and May 3, 2003, respectively, because the options' exercise prices were greater than the average market price of the common shares during the 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:

	Thirteen Weeks Ended	
(thousands except per share amounts)	**May 1, 2004**	**May 3, 2003**
Net income, as reported	$96,637	$ 97,530
(Deduct) add: Stock compensation (income) cost recorded, net of tax	(617)	5,000
Deduct: Stock compensation cost calculated under SFAS No. 123, net of tax	(8,655)	(10,013)
Pro forma net income	$87,365	$ 92,517
Earnings per basic share, as reported	$ 0.19	$ 0.19
Earnings per basic share, pro forma	$ 0.17	$ 0.18
Earnings per diluted share, as reported	$ 0.19	$ 0.19
Earnings per diluted share, pro forma	$ 0.17	$ 0.18

4. Other Income (Loss)

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 purchase the note and warrants, New York & Company has agreed to make an additional payment to the Company in either cash or a combination of cash and shares if (i) New York & Company completes an initial public offering pursuant to a registration statement filed on or before December 31, 2004 or is 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 exceeds $156.8 million. The additional payment would be equal to 6.38% of the implied equity value in excess of $156.8 million and would result in the recognition of a non-operating gain by the Company at the time one of the above transactions is completed. On May 24, 2004, New York & Company filed an initial registration statement with the SEC in connection with a proposed initial public offering.

Other income (loss) in 2004 also included a $4.2 million loss which represents the Company's share of net loss associated with its unconsolidated entities.

In 2003, other income (loss) was primarily comprised of a $6.9 million loss related to the sale of certain Mast joint ventures and a $1.8 million loss representing the Company's share of net loss associated with its unconsolidated entities.

5. Gain on Investee's Stock

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):

	May 1, 2004	January 31, 2004	May 3, 2002
Property and equipment, at cost	$ 3,765,453	$ 3,744,819	$ 3,702,411
Accumulated depreciation and amortization	(2,294,104)	(2,284,488)	(2,217,082)
Property and equipment, net	$ 1,471,349	$ 1,460,331	$ 1,485,329

8. Trade Names and Other Intangible Assets, Net

Intangible assets, not subject to amortization, represent trade names of $411.0 million as of May 1, 2004, January 31, 2004 and May 3, 2003.

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

	May 1, 2004	January 31, 2004	May 3, 2003
Gross carrying amount	$ 56,217	$ 56,117	$ 54,300
Accumulated amortization	(27,852)	(26,127)	(19,584)
Intellectual property assets and other intangible assets, net	$ 28,365	$ 29,990	$ 34,716

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

9. Income Taxes

The provision for income taxes is based on the current estimate of the annual effective tax rate. Income taxes paid during the thirteen weeks ended May 1, 2004 and May 3, 2003 approximated $212.3 million and $155.3 million, respectively. Income taxes payable included net current deferred tax liabilities of $70.3 million at May 1, 2004, $69.7 million at January 31, 2004 and $56.4 million at May 3, 2003.

The Company’s effective tax rate has historically reflected and continues to reflect a provision related to the undistributed earnings of foreign affiliates. The Internal Revenue Service (“IRS”) has assessed the Company for additional taxes and interest for the years 1992 to 1998 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. In connection with an appeal of the Tax Court judgment, in 1999 the Company made a $112 million payment of taxes and interest for the years 1992 to 1998 that reduced deferred tax liabilities.

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 which was collected in the fourth quarter of 2003 ($28 million in cash and the balance as a reduction of deferred tax liabilities).

The Company is pursuing additional actions to obtain refunds related to the 1995 through 1998 years, although there can be no assurance as to the outcome of those actions.

10. Long-term Debt

Unsecured long-term debt consisted of (thousands):

	May 1, 2004	January 31, 2004	May 3, 2003
6.125% $300 million Notes due December 2012, less unamortized discount	$ 298,901	$ 298,870	$ 298,772
6.95% $350 million Debentures due March 2033, less unamortized discount	349,355	349,348	349,334
	$ 648,256	$ 648,218	$ 648,106

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 7½% 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.

The Company has a shelf registration statement, under which up to $500 million of debt securities, common and preferred stock, and other securities may be issued. To date, no securities have been issued under this registration statement.

The Company currently has a $1.25 billion unsecured revolving credit facility (the “Facility”). The Facility is comprised of a $500 million 364-day agreement and a $750 million 5-year agreement. Borrowings outstanding under the Facility, if any, are due June 25, 2004 and July 13, 2006, respectively. The Facility has several borrowing and interest rate options. Fees payable under the Facility are based on the Company’s long-term credit ratings, and are currently 0.1% (for the 364-day agreement) and 0.125% (for the 5-year agreement) of the committed amount per year.

The Facility requires the Company to maintain certain specified fixed charge and debt to capital ratios. The Company was in compliance with these requirements at May 1, 2004.

The Facility supports 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 first quarter of 2004. In addition, no commercial paper or amounts under the Facility were outstanding at May 1, 2004.

Cash paid for interest during the thirteen weeks ended May 1, 2004 and May 3, 2003 was $13.8 million and $25.0 million, respectively.

11. Commitments and Contingencies

In connection with the disposition of certain subsidiaries, the Company has remaining guarantees of approximately $476 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, with respect to existing and extended leases, 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”) can draw solely to pay principal and interest on public bonds issued by the City for infrastructure development at Easton. The Company does not currently anticipate that the City will be required to draw funds under the letter of credit.

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.

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12. Segment Information

The Victoria's Secret segment derives its revenues from sales of women's intimate and other apparel, personal care products and accessories marketed under the Victoria's Secret brand name. Victoria's Secret merchandise is sold through its stores and direct response (catalog 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 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 weeks ended May 1, 2004 and May 3, 2003 follows (thousands):

	Victoria's Secret	Bath & Body Works	Apparel	Other(a)	Total
2004					
Net sales	$908,819	$ 341,911	$600,126	$127,347	$1,978,203
Operating income (loss)	151,426	9,108	10,687	(51,849)	119,372
2003					
Net sales	$791,260	$321,354	$615,613	$114,070	$1,842,297
Operating income (loss)	110,943	16,482	14,470	(32,844)	109,051

(a) Includes Corporate (including non-core real estate and equity investments), Mast third party sales and Henri Bendel.

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 May 1, 2004 and May 3, 2003, and the related consolidated statements of income and cash flows for the thirteen week periods ended May 1, 2004 and May 3, 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, 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 review, 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
May 17, 2004

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 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 the first quarter of 2004, the Company continued to focus on its core brands and leveraging its talent and strong financial position to drive increased growth. The focus on core brands, as described below, includes investment in the Company's stores to move its brand positioning forward, investment in new product opportunities and the pursuit of new products externally.

The Company's strong financial position enabled it to continue its strategy of enhancing shareholder value by returning capital to its investors through two actions since year-end 2003. In April 2004, the Company completed the repurchase of $1 billion of its common stock through a modified "Dutch Auction" tender offer and, in May 2004, the Company announced that its Board of Directors had authorized a new $100 million share repurchase program.

From an operating perspective, the Company's strategic agenda is to continue to focus on brands, talent and capability.

Brands

In the first quarter of 2004, the Company continued to see positive results from the brand building product extensions generated in 2003, including the Victoria's Secret Pink product line, the Express Design Studio, and "The World's Best Candle" at Bath & Body Works. We will be expanding the distribution of these products throughout 2004.

The apparel businesses continued the change in promotional strategy (initiated in fall 2003) which shifted from frequent, store-wide promotions to more key item/category promotions and quarterly clearance sales. The Company believes that while there may be a period of adjustment in terms of customer behavior, the new strategy is more consistent with building the brand equity. Combined with more stability in the product assortment, the change in promotional strategy will lead to improved growth and profitability.

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 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 has also initiated a multi-year project to assess, design and implement process, system and organization changes in finance, merchandise planning and allocation and customer data capture, analysis and contact.

First Quarter 2004 Results

In the first quarter of 2004, key economic indicators including initial jobless claims, the unemployment rate and job creation continued to show signs of improvement. Consumer sentiment, however, remained largely unchanged as the positive effect of more robust job creation was offset by concerns about rising inflation and higher interest rates. The Company's first quarter operating results were consistent with the continuing external indications of an economic recovery in the United States. Net sales increased approximately 7% or $136 million in the first quarter of 2004 compared to the first quarter of 2003 and comparable store sales increased 8%. Operating income increased approximately 9% to $119 million in the first quarter of 2004 compared to the first quarter of 2003.

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The following summarized financial and statistical data compares reported results for the thirteen week periods ended May 1, 2004 and May 3, 2003:

	First Quarter		
	2004	2003	Change
Net Sales (millions):			
Victoria's Secret Stores	$ 649	$ 562	15%
Victoria's Secret Direct	260	229	13%
Total Victoria's Secret	909	791	15%
Bath & Body Works	342	321	7%
Express	460	473	(3%)
Limited Stores	140	143	(2%)
Total apparel businesses	600	616	(3%)
Other (a)	127	114	11%
Total net sales	$ 1,978	$ 1,842	7%
Segment Operating Income (millions):			
Victoria's Secret	$ 151	$ 111	36%
Bath & Body Works	9	17	(47%)
Apparel	11	14	(21%)
Other (a)	(52)	(33)	(58%)
Total operating income	$ 119	$ 109	9%

	First Quarter	
	2004	2003
Comparable Store Sales (b):		
Victoria's Secret	15%	1%
Bath & Body Works	7%	(2%)
Express	0%	(2%)
Limited Stores	0%	(5%)
Total apparel businesses	0%	(3%)
Henri Bendel	27%	(2%)
Total comparable store sales increase (decrease)	8%	(1%)

(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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	First Quarter		
	2004	2003	Change
Segment Store Data:			
Retail sales per average selling square foot:			
Victoria's Secret	$ 137	$ 121	13%
Bath & Body Works	$ 97	$ 90	8%
Apparel	$ 78	$ 77	1%
Retail sales per average store (thousands):			
Victoria's Secret	$ 644	$ 555	16%
Bath & Body Works	$ 214	$ 197	9%
Apparel	$ 467	$ 448	4%
Average store size at end of quarter (selling square feet):			
Victoria's Secret	4,700	4,603	2%
Bath & Body Works	2,217	2,182	2%
Apparel	6,001	5,772	4%
Selling square feet at end of quarter (thousands):			
Victoria's Secret	4,728	4,654	2%
Bath & Body Works	3,525	3,557	(1%)
Apparel	7,645	7,901	(3%)

	First Quarter	
	2004	2003
Number of Stores:		
Victoria's Secret		
Beginning of period	1,009	1,014
Opened	1	1
Closed	(4)	(4)
End of period	1,006	1,011
Bath & Body Works		
Beginning of period	1,604	1,639
Opened	1	1
Closed	(15)	(10)
End of period	1,590	1,630
Apparel		
Beginning of period	1,297	1,382
Opened	2	—
Closed	(25)	(13)
End of period	1,274	1,369

	Number of Stores			Selling Square Feet (thousands)		
	May 1, 2004	May 3, 2003	Change	May 1, 2004	May 3, 2003	Change
Victoria's Secret	1,006	1,011	(5)	4,728	4,654	74
Bath & Body Works	1,590	1,630	(40)	3,525	3,557	(32)
Express Women's	554	620	(66)	3,458	3,868	(410)
Express Men's	269	350	(81)	1,094	1,416	(322)
Express Dual Gender	111	50	61	1,002	470	532
Total Express	934	1,020	(86)	5,554	5,754	(200)
Limited Stores	340	349	(9)	2,091	2,147	(56)
Total apparel	1,274	1,369	(95)	7,645	7,901	(256)
Henri Bendel	1	1	—	35	35	—
Total stores and selling square feet	3,871	4,011	(140)	15,933	16,147	(214)

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Net Sales

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

(Millions) Increase (decrease)	Victoria's Secret	Bath & Body Works	Apparel	Other	Total
2003 Net sales	$ 791	$ 321	$ 616	$ 114	$ 1,842
Comparable store sales	79	22	1	—	102
Sales associated with new, closed and non-comparable remodeled stores, net	8	(1)	(17)	—	(10)
Victoria's Secret Direct	31	—	—	—	31
Mast third party sales and other	—	—	—	13	13
2004 Net sales	$ 909	$ 342	$ 600	$ 127	$ 1,978

At Victoria's Secret, the 15% increase in comparable store sales was driven by continued growth in the bra category, the Pink product line and the Beauty business. The sales increase in the bra category was primarily driven by the highly successful launch of the Body by Victoria shaping full coverage bra in March 2004 as well as successful style introductions in the Angels and Very Sexy sub-brands. Growth in the Beauty business was primarily driven by continued success of the Very Sexy for Her and Him II and Breathless fragrances and the Garden product line. The 13% increase in net sales at Victoria's Secret Direct was driven by growth in swimwear, clothing and intimate apparel resulting in a 9% increase in orders and a 4% increase in the average order size.

At Bath & Body Works, the 7% increase in comparable store sales was primarily driven by continued sales growth in the Pure Simplicity, Aromatherapy and Anti-bac product lines. Sales growth was supported by increases in direct mail promotions, with targeted sampling and discount programs geared toward new product launches. This growth was partially offset by declines in the True Blue Spa and core bath products lines.

At the apparel businesses, comparable store sales were flat at both Express and Limited Stores. This result was due, in part, to a significant decrease in incentive marketing and promotions as the apparel businesses changed the promotional cadence from store-wide activity to key item promotions and quarterly clearance sales. At Express, sales increases in women's wear-to-work pants, driven by Express Design Studio's Editor pant, and the men's dress pants and knits categories were offset by declines in women's knit tops and dresses as well as by the discontinuation of the lingerie category. At Limited Stores, growth in pants, driven primarily by crops, was offset by declines in dresses and accessories.

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

Gross Income

For the first quarter of 2004, the gross income rate (expressed as a percentage of net sales) increased to 34.2% from 33.2% for the same period in 2003 primarily driven by an increase in merchandise margin at Victoria's Secret, partially offset by gross income decreases at Bath & Body Works and the apparel businesses.

The increase in the merchandise margin rate at Victoria's Secret was primarily driven by lower markdowns compared to last year. The gross income rate decrease at Bath & Body Works was primarily due to an increase in the buying and occupancy expense rate, driven by an increase in rent expense and depreciation related to the "Top 160" remodel initiative and the closure of underperforming store locations.

The decline in the apparel businesses' gross income rate was primarily the result of a decline in the merchandise margin rate due to increased markdowns on underperforming product categories, particularly knit tops.

General, Administrative and Store Operating Expenses

For the first quarter of 2004, the general, administrative and store operating expense rate (expressed as a percentage of net sales) increased to 28.1% from 27.3% last year. The increase in the general, administrative and store operating expense rate was primarily the result of a shift in the timing of charitable contributions, a reserve related to legal matters and an accrual to increase incentive compensation costs. The Company leveraged store selling expenses, the Company's largest expense category.

Interest Expense

	First Quarter	
	2004	2003
Average daily borrowings (millions)	$ 650.0	$ 815.0
Average borrowing rate	6.57%	6.83%

The Company incurred interest expense of $11.6 million for the first quarter of 2004 compared to $27.0 million for the same period 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 ½% notes due in 2023. A decline in average borrowing rates and a decrease in average daily borrowings also contributed to the decrease.

Other Non-operating Items

For the first quarter of 2004, interest income decreased to $8.0 million from $9.2 million in 2003. The decrease primarily relates to a decrease in average effective interest rates partially offset by an increase in average invested cash balances.

For the first quarter of 2004, other income (loss) was $40.9 million compared to ($8.5) million for the first quarter of 2003. The increase in other income compared to the first quarter of 2003 primarily relates to a $44.9 million gain related to the early collection of a long-term note receivable and the sale of third party warrants (see Note 4 to the Consolidated Financial Statements). The loss in the first quarter of 2003 was primarily driven by a $6.9 million loss on the sale of certain Mast joint ventures.

Gain on Investee's Stock

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.

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 to determine the adjusted results, and reconciles the adjusted results to net income reported in accordance with accounting principles generally accepted in the United States of America.

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 (thousands except per share amounts):

	Thirteen Weeks Ended May 1, 2004			Thirteen Weeks Ended May 3, 2003		
	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted
Net sales	$1,978,203	—	$1,978,203	$1,842,297	—	$1,842,297
Gross income	675,654	—	675,654	612,063	—	612,063
General, administrative and store operating expenses	(556,282)	—	(556,282)	(503,012)	—	(503,012)
Operating income	119,372	—	119,372	109,051	—	109,051
Interest expense	(11,643)	—	(11,643)	(26,970)	—	(26,970)
Interest income	7,974	—	7,974	9,234	—	9,234
Other income (loss)	40,934	$ (44,857)(a)	(3,923)	(8,471)	—	(8,471)
Gain on investee's stock	—	—	—	79,686	$ (79,686)(b)	—
Income before income taxes	156,637	(44,857)	111,780	162,530	(79,686)	82,844
Provision for income taxes	60,000	(16,000)	44,000	65,000	(32,000)	33,000
Net income	$ 96,637	$ (28,857)	$ 67,780	$ 97,530	$ (47,686)	$ 49,844
Net income per diluted share	$ 0.19		$ 0.13	$ 0.19		$ 0.09
Weighted average shares outstanding	515,439		515,439	527,032		527,032

Notes to Reconciliation of Adjusted Income Information:

(a) Other income (loss) (see Note 4 to the Consolidated Financial Statements):

— The 2004 adjusted results 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.

(b) Gain on investee's stock (see Note 5 to the Consolidated Financial Statements):

— The 2003 adjusted results exclude a $79.7 million pretax, non-operating gain resulting from the sale of approximately one-half of the Company's investment in ADS.

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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 thirteen weeks ended May 1, 2004 and May 3, 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):

	May 1, 2004	January 31, 2004	May 3, 2003
Working capital	$ 2,183	$ 3,036	$ 2,534
Capitalization:			
Long-term debt	$ 648	$ 648	$ 648
Shareholders' equity	4,368	5,266	4,889
Total capitalization	$ 5,016	$ 5,914	$ 5,537
Additional amounts available under credit agreements	$ 1,250	$ 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 continually evaluates its capital needs, financial condition, operating strategies and possible uses of its cash.

Net cash used for operating activities was $170.6 million for the thirteen weeks ended May 1, 2004 versus $103.8 million in the first quarter of 2003. The increase in cash used for operating activities relates to higher inventory balances in 2004 primarily associated with the June sales events and new product launches at Victoria's Secret and an increase in taxes paid, partially offset by an increase in accounts payable due to the timing of rent payments.

Net cash used for investing activities of $10.2 million for the thirteen weeks ended May 1, 2004 primarily included $101.0 million in capital expenditures, partially offset by cash inflows of $75.0 million from the collection of a long-term note receivable and $20.0 million from the sale of third party warrants. Net cash provided by investing activities of $63.2 million for the thirteen weeks ended May 3, 2003 primarily included cash inflows of $130.7 million from the sale of approximately one-half of the Company's investment in ADS, partially offset by $63.6 million in capital expenditures.

Net cash used for financing activities of $1.0 billion for the thirteen weeks ended May 1, 2004 primarily included the repurchase of 50.6 million shares of common stock for $1.0 billion through the Company's modified "Dutch Auction" tender offer and quarterly dividend payments of $0.12 per share or $62.4 million, partially offset by proceeds from the issuance of stock options. Net cash provided by financing activities of $23 million for the thirteen weeks ended May 3, 2003 included the issuance of $350 million in long-term debt, which was more than offset by the redemption of $250 million in debentures, quarterly dividend payments of $0.10 per share or $52.4 million and the repurchase of 2.1 million shares of common stock for $27.2 million.

On May 17, 2004, the Board of Directors of the Company authorized the repurchase of an additional $100 million of the Company's common stock.

The Company has a shelf registration statement, under which up to $500 million of debt securities, common and preferred stock, and other securities may be issued. To date, no securities have been issued under this registration statement.

Capital Expenditures

Capital expenditures amounted to $101.0 million and $63.6 million for the thirteen weeks ended May 1, 2004 and May 3, 2003, of which $90.6 million and $50.5 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 between $500 and $550 million for capital expenditures in 2004, the majority of which relates to the remodeling of and improvements to existing stores. The anticipated increase in capital spending in 2004 is primarily driven by remodeling activities related to key initiatives including (i) the "Top 160" mall remodel strategy, which reflects a focus 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 $476 million of remaining lease and lease related guarantees that existed at the time of the divestiture of several former subsidiaries, as well as a $25 million guarantee and a $31 million standby letter of credit related to the Company's investment in Easton Town Center, LLC. 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 the first quarter of 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.

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.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The market risk of the Company’s financial instruments as of May 1, 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.

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 16, 2000, plaintiffs filed a first amended consolidated derivative complaint (the "amended complaint"), which made allegations similar to the first complaint but added allegations apparently intended to show that certain directors were not disinterested in those decisions. Defendants moved to dismiss the amended complaint on April 14, 2000 and, on March 27, 2002, the Court granted the motion in part and denied the motion in part. On May 10, 2002, the Company's Board of Directors appointed a special litigation committee composed of directors Donald B. Shackelford and Raymond Zimmerman and granted that committee the authority to investigate the claims asserted in the amended complaint and to determine the Company's response to them. On October 31, 2002, the special litigation committee ("SLC") filed a motion on behalf of the Company to dismiss the action on the basis that pursuit of the claims was not in the best interests of the Company. 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 have 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 $3,000,000. Such contribution may be effected through the forfeiture of stock options, the payment of cash or other consideration. The Company, Mr. Wexner and the other defendants have agreed not to object to aggregate plaintiffs' counsel fees and expenses of up to $10,000,000. The settlement is subject to several conditions, including approval by the Delaware Court of Chancery.

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.

Item 2. ISSUER PURCHASES OF EQUITY SECURITIES

The following table outlines the Company's repurchases of its common stock during the first quarter ended May 1, 2004:

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Programs (1)	Maximum Number of Shares (or Dollars) that May Yet Be Purchased (1)
February	—	—	—	$ 1,000,000,000
March	—	—	—	—
April	50,632,881	$ 19.75	50,632,881	—
Total	50,632,881	$ 19.75	50,632,881	—

(1) On February 26, 2004, the Company announced that its Board of Directors had authorized the repurchase of $1 billion of the Company's common stock through a modified "Dutch Auction" tender offer, which commenced on February 27, 2004 and expired on March 26, 2004. The shares were repurchased on April 5, 2004.

On May 17, 2004, the Company announced that its Board of Directors had authorized a $100 million share repurchase program.

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Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

10.1	Employment agreement entered into as of May 1, 2002 between Jerry Stritzke and MAST Industries, Inc. and Limited Brands, Inc.
10.2	Employment agreement amendment entered into as of May 19, 2003 between Jerry Stritzke and MAST Industries, Inc. and Limited Brands, Inc.
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)

(b) Reports on Form 8-K.

1. Form 8-K dated February 26, 2004: The Company issued a press release setting forth its fourth quarter 2003 earnings [(1)]

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(1) This Report on Form 8-K was furnished pursuant to Item 12

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LIMITED BRANDS, INC.
(Registrant)

By: /s/ V. ANN HAILEY
V. Ann Hailey
Executive Vice President and
Chief Financial Officer*

Date: June 9, 2004

* Ms. Hailey is the principal financial officer and has been duly authorized to sign on behalf of the Registrant.

Exhibit 10.1

EMPLOYMENT AGREEMENT

THIS AGREEMENT is entered into as of May 1, 2002 by and between MAST Industries, Inc. and The Limited, Inc., each a Delaware corporation (collectively the "Company"), and Jerry Stritzke (the "Executive") (hereinafter collectively referred to as "the parties").

WHEREAS, the Executive is employed as the Chief Executive Officer of MAST Industries, Inc. and is experienced in all phases of the Company's business and possesses an intimate knowledge of the business and affairs of the Company and its policies, procedures, methods, and personnel; and

WHEREAS, the Company has determined that it is essential and in its best interests to retain the services of key management personnel and to ensure their continued dedication and efforts; and

WHEREAS, the Compensation Committee of the Board of Directors of the Company (the "Board") has determined that it is in the best interests of the Company to secure the services and employment of the Executive, and the Executive is willing to render such services on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and the respective agreements of the parties contained herein, the parties hereby agree as follows:

1. Term. The initial term of employment under this Agreement shall be for the period commencing on May 1, 2002 (the "Commencement Date") and ending on the sixth anniversary of the Commencement Date (the "Initial Term"); provided, however, that thereafter this Agreement shall be automatically renewed from year to year, unless either the Company or the Executive shall have given written notice to the other at least six (6) months prior thereto that the term of this Agreement shall not be so renewed.

2. Employment.

(a) Position. The Executive shall be employed as Chief Executive Officer of MAST Industries, Inc./Senior Vice President of Production & Sourcing such other position of reasonably comparable or greater status and responsibilities, as may be determined by the Board of Directors. The Executive shall perform the duties, undertake the responsibilities, and exercise the authority customarily performed, undertaken, and exercised by persons employed in a similar executive capacity. The Executive shall report to the Executive Vice President & Chief Operating Officer of The Limited, Inc.

(b) Obligations. The Executive agrees to devote his full business time and attention to the business and affairs of the Company. The foregoing, however, shall not preclude the Executive from serving on corporate, civic, or charitable boards or committees or managing personal investments, so long as such activities do not interfere with the performance of the Executive's responsibilities hereunder.

3. Base Salary. The Company agrees to pay or cause to be paid to the Executive during the term of this Agreement an annual base salary at the rate of $450,000, less applicable withholding. This base salary will be subject to annual review and may be increased from time to time by the Board considering factors such as the Executive's responsibilities, compensation of similar executives within the Company and in other companies, performance of the Executive, and other pertinent factors (hereinafter referred to as the "Base Salary"). Such Base Salary shall be payable in accordance with the Company's customary practices applicable to its executives.

4. Equity Compensation. The Executive shall be entitled to receive annual stock option grants or other stock awards based on the performance of the Executive as determined by the Board.

5. Employee Benefits. The Executive shall be entitled to participate in all employee benefit plans, practices, and programs maintained by the Company and made available to senior executives generally and as may be in effect from time to time. The Executive's participation in such plans, practices and programs shall be on the same basis and terms as are applicable to senior executives of the Company generally.

6. Bonus. The Executive shall be entitled to participate in the Company's applicable incentive compensation plan on such terms and conditions as may be determined from time to time by the Board. In addition, the Company agrees to guarantee the Executive's minimum incentive compensation for Spring 2002 and Fall 2002 at the target level of sixty percent (60%) of the Executive's Base Salary. Further, the Executive will receive any actual incentive compensation payout earned in excess of the target level.

7. Other Benefits.

(a) Expenses. Subject to applicable Company policies, the Executive shall be entitled to receive prompt reimbursement of all expenses reasonably incurred by his in connection with the performance of his duties hereunder or for promoting, pursuing, or otherwise furthering the business or interests of the Company.

(b) Office and Facilities. The Executive shall be provided with appropriate offices and with such secretarial and other support facilities as are commensurate with the Executive's status with the Company and adequate for the performance of his duties hereunder.

8. Paid Time Off (PTO) Program. The Executive shall be entitled to paid time off in accordance with the policies as periodically established by the Board for similarly situated executives of the Company.

9. Termination. The Executive's employment hereunder is subject to the following terms and conditions:

(a) Disability. The Company shall be entitled to terminate the Executive's employment after having established the Executive's Disability. For purposes of this Agreement, "Disability" means a physical or mental infirmity which impairs the Executive's ability to substantially perform his duties under this Agreement for a period of at least six months in any twelve-month calendar period as determined in accordance with The Limited, Inc. Long-Term Disability Plan.

(b) Cause. The Company shall be entitled to terminate the Executive's employment for "Cause." For purposes of this Agreement, "Cause" shall mean that the Executive (1) willfully failed to perform his duties with the Company (other than a failure resulting from the Executive's incapacity due to physical or mental illness); or (2) has plead "guilty" or "no contest" to or has been convicted of an act which is defined as a felony under federal or state law; or (3) engaged in willful misconduct in bad faith which could reasonably be expected to materially harm the Company's business or its reputation.

The Executive shall be given written notice by the Board of termination for Cause, such notice to state in detail the particular act or acts or failure or failures to act that constitute the grounds on which the proposed termination for Cause is based. The Executive shall be entitled to a hearing before the Board or a committee thereof established for such purpose and to be accompanied by legal counsel. Such hearing shall be held within 15 days of notice to the Company by the Executive, provided the Executive requests such hearing within 30 days of the written notice from the Board of the termination for Cause.

(c) Termination by the Executive. The Executive may terminate employment hereunder for "Good Reason" by delivering to the Company (1) a Preliminary Notice of Good Reason (as defined below), and (2) not earlier than thirty (30) days from the delivery of such Preliminary Notice, a Notice of Termination. For purposes of this Agreement, "Good Reason" means (i) the failure to continue the Executive in a capacity contemplated by Section 2 hereof; (ii) the assignment to the Executive of any duties materially inconsistent with the Executive's positions, duties, authority, responsibilities, and reporting requirements as set forth in Section 2 hereof; (iii) a reduction in or a material delay in payment of the Executive's total cash compensation and benefits from those required to be provided in accordance with the provisions of this Agreement; (iv) the Company, the Board or any person controlling the Company requires the Executive to be based outside of the United States, other than on travel reasonably required to carry out the Executive's obligations under the Agreement, or (v) the failure of the Company to obtain the assumption in writing of its obligation to perform this Agreement by any successor to all or substantially all of the assets of the Company within 15 days after a merger, consolidation, sale, or similar transaction; provided, however, that "Good Reason" shall not include (A) acts not taken in bad faith which are cured by the Company in all respects not later than thirty (30) days from the date of receipt by the Company of a written notice from the Executive identifying in reasonable detail the act or acts constituting "Good Reason" (a "Preliminary Notice of Good Reason") or (B) acts taken by the Company by reason of the Executive's physical or mental infirmity which impairs the Executive's ability to substantially perform his duties under this Agreement. A Preliminary Notice of Good Reason shall not, by itself, constitute a Notice of Termination.

(d) Notice of Termination. Any purported termination for Cause by the Company or for Good Reason by the Executive shall be communicated by a written Notice of Termination to the other party two weeks prior to the Termination Date (as defined below). For purposes of this Agreement, a "Notice of Termination" shall mean a notice which indicates the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated. Any termination by the Company other than for Cause or by the Executive without Good Reason shall be communicated by a written Notice of Termination to the other party two (2) weeks prior to the Termination Date. However, the Company may elect to pay the Executive in lieu of two (2) weeks written notice. For purposes of this Agreement, no such purported termination of employment shall be effective without such Notice of Termination.

(e) Termination Date, Etc. "Termination Date" shall mean in the case of the Executive's death, the date of death, or in all other cases, the date specified in

the Notice of Termination; provided, however, that if the Executive's employment is terminated by the Company due to Disability, the date specified in the Notice of Termination shall be at least thirty (30) days from the date the Notice of Termination is given to the Executive.

10. Compensation Upon Termination.

(a) If during the term of this Agreement (including any extensions thereof), the Executive's employment is terminated by the Company for Cause, by reason of the Executive's death, or if the Executive gives written notice not to extend the term of this Agreement, the Company's sole obligation hereunder shall be to pay the Executive the following amounts earned hereunder but not paid as of the Termination Date: (i) Base Salary, (ii) reimbursement for any and all monies advanced or expenses incurred pursuant to Section 7(b) through the Termination Date, and (iii) any earned compensation which the Executive had previously deferred (including any interest earned or credited thereon) (collectively, "Accrued Compensation"). The Executive's entitlement to any other benefits shall be determined in accordance with the Company's employee benefit plans then in effect.

(b) If the Executive's employment is terminated by the Company other than for Cause or by the Executive for Good Reason, the Company's sole obligation hereunder shall be as follows:

(i) the Company shall pay the Executive the Accrued Compensation; and

(ii) the Company shall continue to pay the Executive the Base Salary for a period of one (1) year following the Termination Date.

(c) If the Executive's employment is terminated by the Company by reason of the Executive's Disability, the Company's sole obligation hereunder shall be as follows:

(i) the Company shall pay the Executive the Accrued Compensation;

(ii) the Executive shall be entitled to receive the applicable benefits available under the Company's Long-Term Disability Plan.

(d) If the Executive's employment is terminated by reason of the Company's written notice to the Executive of its decision not to extend the term of this Agreement as contemplated in Section 1 hereof, the Company's sole obligation hereunder shall be as follows:

(i) the Company shall pay the Executive the Accrued Compensation; and

(ii) the Company shall continue to pay the Executive the Base Salary for a period of one (1) year following the expiration of such term.

(e) During the period the Executive is receiving salary continuation pursuant to Section 10(b)(ii) or 10(d)(ii) hereof, the Company shall, at its expense,

provide to the Executive and the Executive's beneficiaries medical and dental benefits substantially similar in the aggregate to those provided to the Executive immediately prior to the date of the Executive's termination of employment; provided, however, that the Company's obligation with respect to the foregoing benefits shall be reduced to the extent that the Executive or the Executive's beneficiaries obtains any such benefits pursuant to a subsequent employer's benefit plans.

(f) The Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, and no such payment shall be offset or reduced by the amount of any compensation provided to the Executive in any subsequent employment.

11. Employee Covenants.

(a) For the purposes of this Section 11, the term "Company" shall include The Limited, Inc., Intimate Brands, Inc. and all their subsidiaries and affiliates thereof.

(b) Confidentiality. The Executive shall not, during the term of this Agreement and thereafter, make any Unauthorized Disclosure. For purposes of this Agreement, "Unauthorized Disclosure" shall mean use by the Executive for his own benefit or disclosure by the Executive to any person other than a person to whom disclosure is reasonably necessary or appropriate in connection with the performance by the Executive of duties as an executive of the Company or as may be legally required, of any confidential information relating to the business or prospects of the Company (including, but not limited to, any information and materials pertaining to any Intellectual Property as defined below ; provided, however, that such term shall not include the use or disclosure by the Executive, without consent, of any publicly available information (other than information available as a result of disclosure by the Executive in violation of this Section 11(b)). This confidentiality covenant has no temporal, geographical or territorial restriction.

(c) Non-Competition. During the Non-Competition Period described below, the Executive shall not, directly or indirectly, without the prior written consent of the Company, own, manage, operate, join, control, be employed by, consult with or participate in the ownership, management, operation or control of, or be connected with (as a stockholder, partner, or otherwise), any business, individual, partner, firm, corporation, or other entity that competes or plans to compete, directly or indirectly, with the Company, or any of its products in a market in which the Company is competing; provided, however, that the "beneficial ownership" by the Executive after termination of employment with the Company, either individually or as a member of a "group," as such terms are used in Rule 13d of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), of not more than two percent (2%) of the voting stock of any publicly held corporation shall not be a violation of Section 11 of this Agreement.

The "Non-Competition Period" means the period the Executive is employed by the Company plus one (1) year from the Termination Date if the Executive's employment is terminated (i) by the Company for any reason, or (ii) by the Executive for any reason.

(d) Non-Solicitation. During the No-Raid Period described below, the Executive shall not directly or indirectly solicit, induce or attempt to influence any employee to leave the employment of the Company, nor assist anyone else in doing so.

Further, during the No-Raid Period, the Executive shall not, either directly or indirectly, alone or in conjunction with another party, interfere with or harm, or attempt to interfere with or harm, the relationship of the Company, with any person who at any time was an employee, customer or supplier of the Company, or otherwise had a business relationship with the Company.

The "No-Raid Period" means the period the Executive is employed by the Company plus one (1) year from the Termination Date if the Executive's employment is terminated (i) by the Company for any reason, or (ii) by the Executive for any reason.

(e) Intellectual Property. The Executive agrees that all inventions, designs and ideas conceived, produced, created, or reduced to practice, either solely or jointly with others, during his employment with the Company including those developed on his own time, which relates to or is useful in the Company's business ("Intellectual Property") shall be owned solely by the Company. The Executive understands that whether in preliminary or final form, such Intellectual Property includes, for example, all ideas, inventions, discoveries, designs, innovations, improvements, trade secrets, and other intellectual property. All intellectual Property is either work made for hire for the Company within the meaning of the United States Copyright Act, or, if such Intellectual Property is determined not to be work made for hire, then the Executive irrevocably assigns all rights, titles and interests in and to the Intellectual Property to the Company, including all copyrights, patents, and/or trademarks. The Executive agrees that he will, without any additional consideration, execute all documents and take all other actions needed to convey his complete ownership of the Intellectual Property to the Company so that the Company may own and protect such Intellectual Property and obtain patent, copyright and trademark registrations for it. The Executive also agrees that the Company may alter or modify the Intellectual Property at the Company's sole discretion, and the Executive waives all right to claim or disclaim authorship. The Executive represents and warrants that any Intellectual Property that he assigns to the Company, except as otherwise disclosed in writing at the time of assignment, will be the Executive's sole, exclusive, original work. The Executive also represents that he has not previously invented any Intellectual Property or has advised the Company in writing of any prior inventions or ideas.

(f) Remedies. The Executive agrees that any breach of the terms of this Section 11 would result in irreparable injury and damage to the Company for which the Company would have no adequate remedy at law; the Executive therefore also agrees that in the event of said breach or any threat of breach, the Company shall be entitled to an immediate injunction and restraining order to prevent, such breach and/or threatened breach and/or continued breach by the Executive and/or any and all persons and/or entities acting for and/or with the Executive, without having to prove damages, and to all costs and expenses, including reasonable attorneys' fees and costs, in addition to any other remedies to which the Company may be entitled at law or in equity. The terms of this paragraph shall not prevent the Company from pursuing any other available remedies for any breach or threatened breach hereof, including but not limited to the recovery of damages from the Executive. The Executive and the Company further agree that the provisions of the covenants not to compete and solicit are reasonable and that the Company would not have entered into this Agreement but for the inclusion of such covenants herein. Should a court determine, however, that any provision of the covenants is unreasonable, either in period of time, geographical area, or otherwise, the parties hereto agree that the covenant should be interpreted and enforced to the maximum extent which such court deems reasonable.

The provisions of this Section 11 shall survive any termination of this Agreement, and the existence of any claim or cause of action by the Executive against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of the covenants and agreements of this Section 11; provided, however, that this paragraph shall not, in and of itself, preclude the Executive from defending himself against the enforceability of the covenants and agreements of this Section 11.

12. Limitation of Payments.

(a) Gross-Up Payment. In the event it shall be determined that any payment or distribution of any type to or for the benefit of the Executive, by the Company, any of its affiliates, any Person who acquires ownership or effective control of the Company or ownership of a substantial portion of the Company's assets (within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder) or any affiliate of such Person, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (the "Total Payments"), would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties with respect to such excise tax (such excise tax, together with any such interest and penalties, are collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax, imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Total Payments (not including any Gross-Up Payment).

(b) All determinations as to whether any of the Total Payments are "parachute payments" (within the meaning of Section 280G of the Code), whether a Gross-Up Payment is required, the amount of such Gross-Up Payment and any amounts relevant to the last sentence of Subsection 12(a), shall be made by an independent accounting firm selected by the Company from among the largest five accounting firms in the United States (the "Accounting Firm"). The Accounting Firm shall provide its determination (the "Determination"), together with detailed supporting calculations regarding the amount of any Gross-Up Payment and any other relevant matter, both to the Company and the Executive within five (5) days of the Termination Date, if applicable, or such earlier time as is requested by the Company or the Executive (if the Executive reasonably believes that any of the Total Payments may be subject to the Excise Tax). Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that the Company should have made Gross-Up Payments ("Underpayment"), or that Gross-Up Payments will have been made by the Company which should not have been made ("Overpayments"). In either such event, the Accounting Firm shall determine the amount of the Underpayment or Overpayment that has occurred. In the case of an Underpayment, the amount of such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive. In the case of an Overpayment, the Executive shall, at the direction and expense of the Company, take such steps as are reasonably necessary (including the filing of returns and claims for refund), follow reasonable instructions from, and procedures established by, the Company, and otherwise reasonably cooperate with the Company to correct such Overpayment.

13. Employee Representation. The Executive expressly represents and warrants to the Company that the Executive is not a party to any contract or agreement and is not otherwise obligated in any way, and is not subject to any rules or regulations, whether governmentally imposed or otherwise, which will or may restrict in any way the Executive's ability to fully perform the Executive's duties and responsibilities under this Agreement.

14. Successors and Assigns.

(a) This Agreement shall be binding upon and shall inure to the benefit of the Company, its successors and assigns, and the Company shall require any successor or assign to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession or assignment had taken place. The term "the Company" as used herein shall include any such successors and assigns to the Company's business and/or assets. The term "successors and assigns" as used herein shall mean a corporation or other entity acquiring or otherwise succeeding to, directly or indirectly, all or substantially all the assets and business of the Company (including this Agreement) whether by operation of law or otherwise.

(b) Neither this Agreement nor any right or interest hereunder shall be assignable or transferable by the Executive, the Executive's beneficiaries or legal representatives, except by will or by the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal personal representative.

15. Arbitration. Except with respect to the remedies set forth in Section 11(f) hereof, any controversy or claim between the Company or any of its affiliates and the Executive arising out of or relating to this Agreement or its termination shall be settled and determined by binding arbitration. The American Arbitration Association, under its Commercial Arbitration Rules, shall administer the binding arbitration. The arbitration shall take place in Columbus, Ohio. The Company and the Executive shall appoint one person to act as an arbitrator, and a third arbitrator shall be chosen by the first two arbitrators (such three arbitrators, the "Panel"). The Panel shall have no authority to add to, alter, amend, or refuse to enforce any portion of the disputed agreements. The Company and the Executive each waive any right to a jury trial or to a petition for stay in any action or proceeding of any kind arising out of or relating to this Agreement or its termination.

16. Notice. For the purposes of this Agreement, notices and all other communications provided for in the Agreement (including the Notice of Termination) shall be in writing and shall be deemed to have been duly given when personally delivered or sent by registered or certified mail, return receipt requested, postage prepaid, or upon receipt if overnight delivery service or facsimile is used, addressed as follows:

To the Executive:
Jerry Stritzke
1307 Newark-Granville Road
Granville, Ohio 43023

To the Company:
The Limited, Inc.
Three Limited Parkway
Columbus, Ohio 43230
Attn: Secretary

17. Settlement of Claims. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense, or other right which the Company may have against the Executive or others.

18. Miscellaneous. No provision of this Agreement may be modified, waived, or discharged unless such waiver, modification, or discharge is agreed to in writing and signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreement or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement.

19. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Ohio without giving effect to the conflict of law principles thereof.

20. Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

21. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements, if any, understandings and arrangements, oral or written, between the parties hereto with respect to the subject matter hereof.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer and the Executive has executed this Agreement as of the day and year first above written.

THE LIMITED, INC.

By: /s/ Leslie H. Wexner

Name: Leslie H. Wexner
Title: Chairman of the Board

/s/ Jerry Stritzke

Jerry Stritzke

Exhibit 10.2

EMPLOYMENT AGREEMENT AMENDMENT

THE EMPLOYMENT AGREEMENT entered into as of May 1, 2002 between Jerry Stritzke (the " Executive ") and MAST, Industries, Inc. and Limited Brands, Inc. (the "Company") is hereby amended as of May 19, 2003 in the following respects:

Section 10 is amended in its entirety to read as follows:

10. Compensation Upon Certain Terminations by the Company not Following a Change in Control.

(a) If during the term of the Agreement (including any extensions thereof), whether or not following a Change in Control (as defined below), the Executive's employment is terminated by the Company for Cause or by reason of the Executive's death, or if the Executive gives written notice not to extend the term of this Agreement, the Company's sole obligations hereunder shall be to pay the Executive the following amounts earned hereunder but not paid as of the Termination Date: (i) Base Salary, (ii) reimbursement for any and all monies advanced or expenses incurred pursuant to Section 7(a) through the Termination Date, and (iii) any earned compensation which the Executive had previously deferred (including any interest earned or credited thereon)(collectively, "Accrued Compensation"). The Executive's entitlement to any other benefits shall be determined in accordance with the Company's employee benefit plans then in effect.

(b) If the Executive's employment is terminated by the Company other than for Cause or by the Executive for Good Reason, in each case other than during the 24-month period immediately following a Change in Control, the Company's sole obligations hereunder shall be as follows:

(i) the Company shall pay the Executive the Accrued Compensation;

(ii) the Company shall continue to pay the Executive the Base Salary for a period of one (1) year following the Termination Date; and

(iii) in consideration of the Executive signing a General Release, the Company shall (A) pay the Executive a pro-rata amount of the incentive compensation paid under the incentive compensation plan described in Section 6 for the season in which the Executive's employment is terminated based on the number of days the Executive is employed during such season and any incentive compensation under the plan described in Section 6 that the Executive would have received if he had remained employed with the Company for a period of one (1) year after the Termination Date; and (B) pay the Executive his Base Salary for one additional year after payments have ended under Section 10(b)(ii);

(iv) provided, however, that in the event Executive becomes entitled to any payments under Section 10(g), the Company's obligations to Executive under Section 10 shall thereafter be determined solely under Section 10 (g).

(c) If the Executive's employment is terminated by the Company by reason of the Executive's Disability, the Company's sole obligations hereunder shall be as follows:

(i) the Company shall pay the Executive the Accrued Compensation;

(ii) Executive shall be entitled to receive the applicable benefits available under the Company's Long-Term Disability Plan.

(d) If the Executive's employment is terminated by reason of the Company's written notice to the Executive of its decision not to extend the Employment Agreement pursuant to Section 1 hereof, the Company's sole obligation hereunder shall be as follows:

(i) the Company shall pay the Executive the Accrued Compensation;

(ii) the Company shall continue to pay the Executive the Base Salary for a period of one (1) year following the expiration of such term;

(iii) in consideration of the Executive signing a General Release, the Company shall (A) pay the Executive a pro-rata amount of the incentive compensation paid under the incentive compensation plan described in Section 6 for the season in which the Executive's employment is terminated based on the number of days the Executive is employed during such season and any incentive compensation under the plan described in Section 6 that the Executive would have received if he had remained employed with the Company for a period of one (1) year after the Termination Date; and (B) pay the Executive his Base Salary for one additional year after payments have ended under Section 10(d)(ii);

(e) For up to eighteen (18) months during the period the Executive is receiving salary continuation pursuant to Section 10(b)(ii), 10(c)(ii) or 10(d)(ii) hereof, the Company shall, at its expense, provide to the Executive and the Executive's beneficiaries medical and dental benefits substantially similar in the aggregate to the those provided to the Executive immediately prior to the date of the Executive's termination of employment; provided, however, that the Company's obligation to provide such benefits shall cease upon the earlier of Executive's becoming employed and the expiration of Executive's rights to continue such medical and dental benefits under COBRA.

(f) Executive shall not be required to mitigate the amount of any payment provided for in this Section 10 by seeking other employment or otherwise and no such payment or benefit shall be eliminated, offset or reduced by the amount of any compensation provided to the Executive in any subsequent employment, except as provided in Section 10(e).

(g) In the event that (x) the Company enters into a binding agreement that, if consummated, would constitute a Change in Control, (y) Executive's employment is terminated under the circumstances set forth in Section 10(b) and (z) within six months after the execution of such agreement a Change in Control of the Company occurs involving one or more of the other parties to such agreement, then the Company's sole obligations hereunder shall be as follows:

(i) the Company shall pay to Executive a lump sum payment in cash no later than 10 business days after the Change in Control an amount equal to the sum of (A) and (B), where (A) is the difference between (x) the Severance Amount (as defined in Section 23(a)(ii)) and (y) the sum of the payments made to the Executive prior to the change in Control pursuant to Section 10(b)(ii) and (B) is the difference between (x) the Bonus Amount (as defined in the Section 23(a)(iii)) and (y) the payments, if any, made to Executive prior to the Change in Control pursuant to Section 10(b)(iii)(A);

(ii) the Company shall reimburse Executive for any documented legal fees and expenses to the extent set forth in Section 23(a)(iv);

(iii) the Company shall make available to Executive and Executive's beneficiaries medical and dental benefits to the extent provided in Section 23(a)(v); and

(iv) each of the Company and Executive shall have and be subject to, the rights, duties, and obligations set forth in Sections 22(c) and (d).

2. Section 12 of the Agreement is hereby amended in its entirety to read as follows:

"Reserved"

3. Sections 22 and 23 are added to the Agreement to read as follows:

22. Change in Control.

(a) For purposes of this Section 22, "Company" shall mean Limited Brands, Inc., a Delaware corporation.

(b) For purposes of this Agreement "Change in Control" means, and shall be deemed to have occurred upon the first to occur of any of the following events:

(i) Any Person (other than an Excluded Person)becomes, together with all "affiliates" and "associates" (each as defined under Rule 12b-2 of the Exchange Act), "beneficial owner" (as defined under Rule 13d-3 of the Exchange Act)of securities representing 33% or more of the combined voting power of the Voting Stock then outstanding, unless such Person becomes "beneficial owner" of 33% or more of the combined voting power of the Voting Stock then outstanding solely as a result of an acquisition of Voting Stock by the Company which, by reducing the Voting Stock outstanding, increases the proportionate Voting Stock beneficially owned by such Person (together with all "affiliates" and "associates" of such Person) to 33% or more of the combined voting power of the Voting Stock then outstanding; provided, that if a Person shall become the "beneficial owner" of 33% or more of the combined voting power of the Voting Stock then outstanding by reason of such Voting Stock acquisition by the Company and shall thereafter become the "beneficial owner" of any additional Voting Stock which causes the proportionate voting power of Voting Stock beneficially owned by such Person to increase to 33% or more of the combined voting power of the Voting Stock then outstanding, such Person shall, upon becoming the "beneficial owner" of such additional Voting Stock, be deemed to have become the "beneficial owner" of 33% or more of the combined voting power of the Voting Stock then outstanding other than solely as a result of such Voting Stock acquisition by the Company;

(ii) During any period of 24 consecutive months individuals who at the beginning of such period constitute the Board (and any new Director, whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the Directors then still in office who either were Directors at the beginning of the period or whose election or nomination for election was so approved), cease for any reason to constitute a majority of Directors then constituting the Board;

(iii) A reorganization, merger or consolidation of the Company is consummated, in each case, unless, immediately following such reorganization, merger or consolidation, (i) more than 50% of, respectively, the then outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the "beneficial owners" of the Voting

Stock outstanding immediately prior to such reorganization, merger or consolidation, (ii) no Person (but excluding for this purpose any Excluded Person and any Person beneficially owning, immediately prior to such reorganization, merger or consolidation, directly or indirectly, 33% or more of the voting power of the outstanding Voting Stock) beneficially owns, directly or indirectly, 33% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation or the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors and (iii) at least a majority of the members of the board of directors of the corporation resulting from such reorganization, merger or consolidation were members of the Board at the time of the execution of the initial agreement providing for such reorganization, merger or consolidation;

(iv) The consummation of (i) a complete liquidation or dissolution of the Company or (ii) the sale or other disposition of all or substantially all of the assets of the Company, other than to any corporation with respect to which, immediately following such sale or other disposition, (A) more than 50% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the “beneficial owners” of the Voting Stock outstanding immediately prior to such sale or other disposition of assets, (B) no Person (but excluding for this purpose any Excluded Person and any Person beneficially owning, immediately prior to such sale or other disposition, directly or indirectly, 33% or more of the voting power of the outstanding Voting Stock) beneficially owns, directly or indirectly, 33% or more of, respectively, the then outstanding shares of common stock of such corporation or the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors and (C) at least a majority of the members of the board of directors of such corporation were members of the Board at the time of the execution of the initial agreement or action of the Board providing for such sale or other disposition of assets of the Company; or

(v) The occurrence of any transaction or event that the Board, in its sole discretion, designates a “Change in Control”.

Not withstanding the foregoing, in no event shall a “Change in Control” be deemed to have occurred (i) as a result of the formation of a Holding Company, or (ii) with respect to an Executive, if Executive is part of a “group,” within the meaning of Section 13(d)(3) of the Exchange Act as in effect on the Effective Date, which consummates the Change in Control transaction. In addition, for purposes of the definition of “Change in Control” a Person engaged in business as an underwriter of securities shall not be deemed to be the “beneficial owner” of, or to “beneficially own,” any securities acquired through such Person’s participation in good faith in a firm commitment underwriting until the expiration of forty days after the date of such acquisition. “Excluded Person” shall mean (i) the Company; (ii) any of the Company’s Subsidiaries; (iii) any Holding Company; (iv) any employee benefit plan of the Company, any of its Subsidiaries or a Holding Company; or (v) any Person organized, appointed or established by the Company, any of its Subsidiaries or a Holding Company for or pursuant to the terms of any plan described in clause (iv). “Person” shall mean any individual composition, partnership, limited liability company, associations, trust or other entity or organization. “Holding Company” shall mean an entity that becomes a holding company for the Company or its businesses as a part of any reorganization, merger, consolidation or other transaction, provided that the outstanding shares of common stock of such entity and the combined voting power of the then outstanding voting securities of such entity entitled to vote generally in the election of directors is, immediately after such reorganization, merger, consolidation or other transaction, beneficially

owned, directly or indirectly, by all or substantially all of the individuals and entities who were the “beneficial owners”, respectively, of the Voting Stock outstanding immediately prior to such reorganization, merger, consolidation or other transaction in substantially the same proportions as their ownership, immediately prior to such reorganization, merger, consolidation or other transaction, of such outstanding Voting Stock. “Voting Stock” shall mean securities of the Company entitled to vote generally in the election of members of the Company’s Board of Directors.

(c) Gross-Up Payment. In the event it shall be determined that any payment or distribution of any type to or for the benefit of the Executive, by the Company, any of its affiliates, any Person who acquires ownership or effective control of the Company or ownership of a substantial portion of the Company’s assets (within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the “Code”), and the regulations thereunder) or any affiliate of such Person, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (the “Total Payments”), would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties with respect to such excise tax (such excise tax, together with any such interest and penalties, are collectively referred to as the “Excise Tax”), then the Executive shall be entitled to receive an additional payment (a “Gross-Up Payment”) in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax, imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Total Payments

(d) All determinations as to whether any of the Total Payments are “parachute payments” (within the meaning of Section 280G of the Code), whether a Gross-Up Payment is required, the amount of such Gross-Up Payment and any amounts relevant to the last sentence of Subsection 22(c), shall be made by an independent accounting firm selected by the Company from among the largest six accounting firms in the United States (the “Accounting Firm”). The Accounting Firm shall provide its determination (the “Determination”), together with detailed supporting calculations regarding the amount of any Gross-Up Payment and any other relevant matter, both to the Company and the Executive within five (5) days of the Termination Date, if applicable, or such earlier time as is requested by the Company or the Executive (if the Executive reasonably believes that any of the Total Payments may be subject to the Excise Tax). Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that the Company should have made Gross-Up Payments (“Underpayment”), or that Gross-Up Payments will have been made by the Company which should not have been made (“Overpayments”). In either such event, the Accounting Firm shall determine the amount of the Underpayment or Overpayment that has occurred. In the case of an Underpayment, the amount of such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive. In the case of an Overpayment, the Executive shall, at the direction and expense of the Company, take such steps as are reasonably necessary (including the filing of returns and claims for refund), follow reasonable instructions from, and procedures established by, the Company, and otherwise reasonably cooperate with the Company to correct such Overpayment.

23. <u>Compensation Upon Certain Terminations During the 24-Month Period Following a Change in Control</u>

(a) If the Executive’s employment is terminated by the Company other than for Cause or by the Executive for Good Reason, in each case during the 24 consecutive month period immediately following a Change in Control, the Company’s sole obligations hereunder

subject to the Executive's execution of a General Release, shall be as follows:

(i) the Company shall pay the Executive the Accrued Compensation;

(ii) the Company shall pay the Executive a lump sum payment in cash no later than ten business days after the termination date an amount equal to two times Executive's Base Salary (the "Severance Amount");

(iii) the Company shall pay the Executive a lump sum payment in cash no later than ten (10) business days after the date of termination an amount equal to the sum of the last four (4) bonus payments the Executive received under the Company's incentive compensation plan described in Section 6 and a pro-rata amount for the season in which the Executive's employment is terminated based on the average of the prior four (4) bonus payments and the number of days the Executive is employed during such season (the "Bonus Amount");

(iv) the Company shall reimburse the Executive for all documented legal fees and expenses reasonably incurred by the Executive in seeking to obtain or enforce any right or benefit provided by this Section 23; and

(v) The Company shall provide the Executive and Executive's beneficiaries medical and dental benefits substantially similar to those which the Executive was receiving immediately prior to the date of termination for a period of eighteen (18) months after the termination date; provided however, that the Company's obligation with respect to the foregoing medical and dental benefits shall cease in the event Executive becomes employed.

(b) Except as provided in Section 23(a)(v), the Executive shall not be required to mitigate the amount of any payment provided for in this Section 23 by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Section 23 be reduced by any compensation earned by the Executive as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by the Executive to the Company, or otherwise.

IN WITNESS WHEREOF, the Company has caused this Amendment to be executed by its duly authorized officer and the Executive has executed this Amendment as of the day and year first written above.

Date: June 11, 2003

By: /s/ Leonard A. Schlesinger

Name: Leonard A. Schlesinger
Title: Vice Chairman & Chief Operating Officer

Date: June 13, 2003

/s/ Jerry Stritzke

Jerry Stritzke

Exhibit 15

June 8, 2004

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

Limited Brands, Inc.:

We are aware of the incorporation by reference in the Registration Statement Form S-3 No. 333-105484 and Form S-8 (Nos. 33-49871, 333-110465, 333-04927 and 333-04941) of Limited Brands, Inc. and its subsidiaries of our report dated May 17, 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 weeks ended May 1, 2004.

Very truly yours,

/s/ Ernst & Young LLP

Columbus, Ohio

Exhibit 31.1

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

Leslie H. Wexner
Chairman and Chief Executive Officer

Date: June 9, 2004

Exhibit 31.2

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

V. Ann Hailey
Executive Vice President and
Chief Financial Officer

Date: June 9, 2004

Exhibit 32

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
Leslie H. Wexner
Chairman and Chief Executive Officer

/s/ V. Ann Hailey
V. Ann Hailey
Executive Vice President and Chief
Financial Officer

Date: June 9, 2004