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

FORM 10-K

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

For the fiscal year ended January 29, 2005

OR

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

For the transition period from __________ to __________

Commission file number 1-8344

LIMITED BRANDS, INC.
(Exact name of registrant as specified in its charter)

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

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

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

Title of each class	Name of each exchange on which registered
Common Stock, $.50 Par Value	**The New York Stock Exchange**

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

The aggregate market value of the registrant's Common Stock held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter was: $8,453,700,375.

Number of shares outstanding of the registrant's Common Stock as of March 31, 2005: 407,043,976.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant's annual report to shareholders for the fiscal year ended January 29, 2005 are incorporated by reference into Part I and Part II, and portions of the registrant's proxy statement for the Annual Meeting of Shareholders scheduled for May 16, 2005 are incorporated by reference into Part III.

The Exhibit Index is located on page 17 hereof.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995:

The Company cautions that any forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) contained in this report or made by 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 2005 and beyond to differ materially from those expressed or implied in any forward-looking statements included in this report or otherwise made by the Company or management: changes in consumer spending patterns, consumer preferences and overall economic conditions; the potential impact of national and international security concerns on the retail environment, including any possible military action, terrorist attacks or other hostilities; our ability to service our debt, any debt we draw down under our credit facilities, and any other debt we incur, and the restrictions the agreements related to such debt impose upon us; the impact of competition and pricing; changes in weather patterns; political stability; postal rate increases and charges; paper and printing costs; risks associated with the seasonality of the retail industry; risks related to consumer acceptance of the Company's products and the ability to develop new merchandise and enhance the Company's brand image; the ability to retain, hire and train key personnel and management; risks associated with the possible inability of the Company's manufacturers to deliver products in a timely manner or meet quality standards; risks associated with relying on foreign sources of production, including risks related to the disruption of imports by labor disputes; and risks associated with the possible lack of availability of suitable store locations on appropriate terms. 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. For additional information on each of these factors, refer to Exhibit 99.1, Cautionary Statements Relating to Forward-Looking Information.

PART I

ITEM 1. BUSINESS.

GENERAL.

Limited Brands, Inc., a Delaware corporation (including its subsidiaries, the "Company"), sells women's intimate apparel, personal care and beauty products, and women's and men's apparel through its retail stores (primarily mall-based) and direct response (catalogue and e-commerce) businesses.

DESCRIPTION OF OPERATIONS.

General.

As of January 29, 2005, the Company conducted its business in three primary segments: (1) Victoria's Secret, which derives its revenues from sales of women's intimate and other apparel, personal care and beauty products, and accessories marketed under the Victoria's Secret brand name and sold through its stores and direct response (catalogue and e-commerce) businesses; (2) Bath & Body Works, which 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 as well as from sales of third-party brands; and (3) the Apparel segment, which derives its revenues from the sale of women's and men's apparel through Express and Limited Stores.

The following chart reflects the retail businesses and the number of stores in operation for each segment at January 29, 2005 and January 31, 2004.

RETAIL BUSINESSES

	NUMBER OF STORES	
	January 29, 2005	January 31, 2004
Victoria's Secret Stores	1,001	1,009
Bath & Body Works	1,569	1,604
Apparel Businesses		
Express Women's	468	562
Express Men's	223	290
Express Dual Gender	193	104
Total Express	884	956
Limited Stores	323	341
Total apparel businesses	1,207	1,297
Henri Bendel	2	1
Total	3,779	3,911

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

Fiscal Year	Beginning of Year	Acquired	Opened	Closed	Disposed Businesses	End of Year
2000	5,023	—	330	(224)	—	5,129
2001	5,129	—	275	(137)	(a) (653)	4,614
2002	4,614	—	108	(174)	(b) (512)	4,036
2003	4,036	—	24	(149)	—	3,911
2004	3,911	—	39	(171)	—	3,779

(a) Represents Lane Bryant stores at August 16, 2001, the date of sale to a third-party.

(b) Represents New York & Company (formerly Lerner New York) stores at November 27, 2002, the date of sale to a third-party.

The Company also owns Mast Industries, Inc. ("Mast"), a contract manufacturer and apparel importer which purchases merchandise on behalf of the Company and certain third-parties. Accordingly, Mast is a significant supplier of merchandise for Victoria's Secret Stores, Victoria's Secret Direct, Express and Limited Stores. Mast had external sales of $472 million in 2004. Mast's operating results are included in the Other segment. For additional information, see Note 14 to the Consolidated Financial Statements in the Company's 2004 Annual Report, incorporated herein by reference.

During fiscal year 2004, the Company purchased merchandise from over 1,000 suppliers located throughout the world. In addition to purchases through Mast, the Company purchases merchandise directly in foreign markets and in the domestic market, some of which is manufactured overseas. Excluding Mast, no supplier provided 10% or more of the Company's merchandise purchases.

Most of the merchandise and related materials for the Company's stores is shipped to the Company's distribution centers in the Columbus, Ohio area. In connection with the distribution of merchandise, the Company uses a range of shipping terms that result in the transfer of title to the merchandise at either the point of origin or point of destination.

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

The Company's operations are seasonal in nature and consist of two principal selling seasons: Spring (the first and second quarters) and Fall (the third and fourth quarters). The fourth quarter, including the holiday season, accounted for approximately one-third of net sales in 2004, 2003 and 2002. Accordingly, cash requirements are highest in the third quarter as the Company's inventory builds in advance of the holiday season.

The Company and its products are subject to regulation by various Federal, state, local and international regulatory authorities. Our apparel businesses are subject to a variety of customs regulations and international trade arrangements.

The following is a brief description of each of the Company's Brand businesses:

VICTORIA'S SECRET

Victoria's Secret Stores—is a leading specialty retailer of women's intimate apparel and high quality beauty products. Victoria's Secret Stores had net sales of $3.113 billion in 2004 and operated 1,001 stores nationwide.

Victoria's Secret Direct—is a leading catalogue and e-commerce retailer of women's intimate and other apparel and beauty products. Through its website, www.VictoriasSecret.com, certain of its products may be purchased worldwide. Victoria's Secret Direct mailed approximately 403 million catalogues and had net sales of $1.119 billion in 2004.

BATH & BODY WORKS

Bath & Body Works—is a leading specialty retailer of personal care and home fragrance products. Launched in 1990, Bath & Body Works, which also operates the White Barn Candle Company, had net sales of $2.169 billion in 2004 and operated 1,569 stores nationwide.

APPAREL BUSINESSES

Express—is a modern fashion leader for women's and men's apparel, sportswear and accessories. Express' strategy is to offer cutting edge style for the casual, professional and urban customer. Express had net sales of $1.913 billion in 2004 and operated 884 stores nationwide.

Limited Stores—is a mall-based specialty store retailer. Limited Stores' strategy is to focus on sophisticated sportswear for modern American women. Founded in 1963, Limited Stores had net sales of $577 million in 2004 and operated 323 stores nationwide.

OTHER

Henri Bendel—operates specialty stores in New York City and Columbus, Ohio which feature fashions and personal care products for sophisticated, higher-income women. The business had net sales of $45 million in 2004.

Additional information about the Company's business, including its revenues and profits for the last three years and selling square footage, is set forth under the caption "Management's Discussion and Analysis" of the 2004 Annual Report and is incorporated herein by reference. For the financial results of the Company's reportable operating segments, see Note 14 to the Consolidated Financial Statements in the Company's 2004 Annual Report, incorporated herein by reference.

COMPETITION.

The sale of intimate apparel, personal care and beauty products, and women's and men's apparel through retail stores is a highly competitive business with numerous competitors, including individual and chain fashion specialty stores, department stores and discount retailers. Brand image, marketing, fashion design, price, service, fashion selection and quality are the principal competitive factors in retail store sales. The Company's direct response business competes with numerous national and regional catalogue and e-commerce merchandisers. Image presentation, fulfillment and the factors in retail store sales discussed above are the principal competitive factors in catalogue and e-commerce sales.

The Company is unable to estimate the number of competitors or its relative competitive position due to the large number of companies selling intimate apparel, personal care and beauty products, and women's and men's apparel through retail stores, catalogues and e-commerce.

ASSOCIATE RELATIONS.

On January 29, 2005, the Company employed approximately 115,300 associates, 95,500 of whom were part-time. In addition, temporary associates are hired during peak periods, such as the holiday season.

AVAILABLE INFORMATION.

The Company's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports are available, free of charge, on the Company's website, www.LimitedBrands.com. These reports are available as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission.

ITEM 2. PROPERTIES.

The Company's business is principally conducted from office, distribution and shipping facilities located in the Columbus, Ohio area. Additional facilities are located in New York City, New York; Kettering, Ohio; Rio Rancho, New Mexico; Paramus, New Jersey and Hong Kong. The Company also operates small sourcing-related office facilities in various foreign locations.

The distribution and shipping facilities owned by the Company consist of seven buildings located in the Columbus, Ohio area. These buildings, including attached office space, comprise approximately 6.1 million square feet.

The Company's retail stores are located in leased facilities, primarily in malls and shopping centers throughout the continental United States. A substantial portion of these lease commitments consist of store leases generally with an initial term of ten years. The leases expire at various dates between 2005 and 2021.

Typically, when space is leased for a retail store in a shopping center, all improvements, including interior walls, floors, ceilings, fixtures and decorations, are supplied by the tenant. The cost of improvements varies widely, depending on the design, size and location of the store. In certain cases, the landlord of the property may provide a construction allowance to fund all or a portion of the cost of improvements serving as a lease incentive. Rental terms for new locations usually include a fixed minimum rent plus a percentage of sales in excess of a specified amount. Certain operating costs such as common area maintenance, utilities, insurance and taxes are typically paid by tenants. For additional information, see Note 7 to the Consolidated Financial Statements in the Company's 2004 Annual Report, incorporated herein by reference.

ITEM 3. LEGAL PROCEEDINGS.

The Company is a defendant in a variety of lawsuits arising in the ordinary course of business. 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 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not applicable.

SUPPLEMENTAL ITEM. EXECUTIVE OFFICERS OF THE REGISTRANT.

Set forth below is certain information regarding the executive officers of the Company.

Leslie H. Wexner, 67, has been Chairman of the Board of Directors of the Company for more than twenty years and its Chief Executive Officer since he founded the Company in 1963.

Leonard A. Schlesinger, 52, has been a member of the Board of Directors of the Company since 1996 and became Group President of Beauty and Personal Care in January 2005 and Vice Chairman and Chief Operating Officer of the Company in February 2003. Dr. Schlesinger was Executive Vice President and Chief Operating Officer from March 2001 until February 2003 and Executive Vice President, Organization, Leadership and Human Resources from October 1999 until March 2001. Dr. Schlesinger served as Senior Vice President, Counselor to the President and was Professor of Sociology and Public Policy and Senior Vice President for Development at Brown University from 1998 to 1999. He also was the George F. Baker, Jr. Professor of Business Administration at Harvard Business School from 1988 to 1998.

V. Ann Hailey, 54, was appointed to the Board of Directors of the Company on March 1, 2001 and has been Executive Vice President and Chief Financial Officer of the Company since August 1997.

Mark A. Giresi, 47, has been Senior Vice President, Chief Stores Officer since December 2001. Mr. Giresi was Vice President, Store Operations from February 2000 until December 2001. Prior to joining the Company, Mr. Giresi was Senior Vice President of U.S. Franchise Operations and Development at Burger King Corporation. Previously he held the position of Worldwide General Counsel and Secretary for Burger King Corporation.

Jerry Stritzke, 44, has been Senior Vice President, Sourcing and Production Services, since May 2001 and Chief Executive Officer of Mast Industries, Inc., a wholly owned subsidiary of the Company, since August 2001. Mr. Stritzke served as the Company's Vice President of Operations Integration since September 1999.

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

The Company has recently announced the hiring of Jay Margolis as Group President, Apparel, and Martyn Redgrave as Executive Vice President and Chief Administrative Officer as well as the creation of the Limited Brands Executive Committee consisting of Mr. Wexner, Mr. Schlesinger, Ms. Hailey, Mr. Margolis, Mr. Redgrave and Sandy West, Executive Vice President, Human Resources.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Information regarding markets in which the Company's common stock was traded during fiscal years 2004 and 2003, approximate number of holders of common stock, and quarterly cash dividend per share information of the Company's common stock for the fiscal years 2004 and 2003 is set forth under the caption "Market Price and Dividend Information" on page 72 of the 2004 Annual Report and is incorporated herein by reference.

The following table outlines the Company's repurchases of its common stock during the fourth quarter ended January 29, 2005:

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share (2)	Total Number of Shares Purchased as Part of Publicly Announced Programs (3)	Maximum Number of Shares (or approximate Dollar value) that May Yet Be Purchased (3)
November	68,965,000	$ 29.00	68,965,000	—
December	—	—	—	—
January	—	—	—	—
Total	68,965,000	$ 29.00	68,965,000	$ —

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

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

(3) On August 19, 2004, the Company's Board of Directors authorized an additional $250 million share repurchase program.

On October 6, 2004, the Company's Board of Directors authorized the repurchase of $2 billion of the Company's common stock through a modified Dutch Auction tender offer, superseding the $250 million repurchase program. The tender offer was completed in November 2004.

On February 24, 2005, the Company's Board of Directors authorized the repurchase of an additional $100 million of the Company's common stock. Through March 23, 2005, 1,098,700 shares have been repurchased under this program for $26.8 million, at an average price of $24.36 per share.

ITEM 6. SELECTED FINANCIAL DATA.

Selected financial data is set forth under the caption "Financial Summary" on page 29 of the 2004 Annual Report and is incorporated herein by reference.

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

Management's discussion and analysis of financial condition and results of operations is set forth under the caption "Management's Discussion and Analysis" on pages 30 through 47 of the 2004 Annual Report and is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The information required by this item is set forth on pages 46 and 66 of the 2004 Annual Report and is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The Consolidated Financial Statements of the Company and subsidiaries, the Notes to Consolidated Financial Statements and the Report of Independent Registered Public Accounting Firm relating to the Consolidated Financial Statements of the Company and subsidiaries as of January 29, 2005 and January 31, 2004 and for the years then ended are set forth in the 2004 Annual Report on pages 48 through 71 and are incorporated herein by reference.

The Report of Independent Registered Public Accounting Firm relating to the Consolidated Statements of Income, of Shareholder's Equity and of Cash Flows of the Company and subsidiaries for the year ended February 1, 2003 is included herein under Item 15.

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

Information regarding changes in accountants is set forth under the caption "INDEPENDENT PUBLIC ACCOUNTANTS" on page 22 of the Company's proxy statement for the Annual Meeting of Shareholders to be held May 16, 2005 (the "Proxy Statement") and is incorporated herein by reference.

In addition, as noted within the aforementioned caption, there were no disagreements with accountants on accounting and financial disclosure.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of disclosure controls and procedures. The Company's Chief Executive Officer and 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, the Company's disclosure controls and procedures were adequate and effective and designed to ensure that material information relating to the Company and its consolidated subsidiaries would be made known to them by others within those entities.

Management's Report on Internal Control Over Financial Reporting. Management's Report on Internal Control Over Financial Reporting as of January 29, 2005 and the related Report of Independent Registered Public Accounting Firm are set forth in the 2004 Annual Report on pages 69 through 70 and are incorporated herein by reference.

Changes in internal control over financial reporting. There were no changes in the Company's internal control over financial reporting that occurred in the fourth quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Information regarding directors of the Company is set forth under the captions “ELECTION OF DIRECTORS—Nominees and directors”, “—Director independence”, “—Information concerning the Board of Directors”, “—Committees of the Board of Directors”, “—Communications with the Board”, “—Attendance at Annual Meetings”, “—Code of ethics”, “—Copies of the Company’s code of ethics, corporate governance principles and committee charters” and “—Security ownership of directors and management” on pages 3 through 9 of the Proxy Statement and is incorporated herein by reference. Information regarding compliance with Section 16(a) of the Securities Exchange Act of 1934, as amended, is set forth under the caption “EXECUTIVE COMPENSATION—Section 16(a) beneficial ownership reporting compliance” on page 14 of the Proxy Statement and is incorporated herein by reference. Information regarding executive officers is set forth herein under the caption “SUPPLEMENTAL ITEM. EXECUTIVE OFFICERS OF THE REGISTRANT” in Part I.

ITEM 11. EXECUTIVE COMPENSATION.

Information regarding executive compensation is set forth under the caption “EXECUTIVE COMPENSATION” on pages 10 through 14 of the Proxy Statement and is incorporated herein by reference. Such incorporation by reference shall not be deemed to specifically incorporate by reference the information referred to in Item 402(a)(8) of Regulation S-K.

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

Information regarding the security ownership of certain beneficial owners and management is set forth under the captions “ELECTION OF DIRECTORS—Security ownership of directors and management” on pages 8 and 9 of the Proxy Statement and “SHARE OWNERSHIP OF PRINCIPAL STOCKHOLDERS” on page 20 of the Proxy Statement and is incorporated herein by reference.

Information regarding equity compensation plans approved and not approved by security holders is set forth under the captions “EXECUTIVE COMPENSATION—Stock options” in the table entitled “Equity Compensation Plan Information” on page 12 of the Proxy Statement and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Information regarding certain relationships and related transactions is set forth under the caption “ELECTION OF DIRECTORS—Nominees and directors” on pages 3 through 5 and “—Certain relationships and related transactions” on page 9 of the Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

Information regarding principal accounting fees and services is set forth under the captions “INDEPENDENT PUBLIC ACCOUNTANTS—Audit fees”, “—Audit related fees”, “—Tax fees”, “—All other fees” and “—Pre-approval policies and procedures” on pages 22 through 23 of the Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS.

(a) (1) List of Financial Statements.

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

Consolidated Statements of Income for the fiscal years ended January 29, 2005, January 31, 2004 and February 1, 2003.

Consolidated Balance Sheets as of January 29, 2005 and January 31, 2004.

Consolidated Statements of Shareholders' Equity for the fiscal years ended January 29, 2005, January 31, 2004 and February 1, 2003.

Consolidated Statements of Cash Flows for the fiscal years ended January 29, 2005, January 31, 2004 and February 1, 2003.

Notes to Consolidated Financial Statements.

Management's Report on Internal Control Over Financial Reporting.

Report of Independent Registered Public Accounting Firm relating to Management's Report on Internal Control Over Financial Reporting.

Report of Independent Registered Public Accounting Firm relating to the Consolidated Financial Statements of the Company and subsidiaries as of January 29, 2005 and January 31, 2004 and for the years then ended.

Report of Independent Registered Public Accounting Firm relating to the Consolidated Statements of Income, Shareholders' Equity and Cash Flows of the Company and subsidiaries for the year ended February 1, 2003:

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

In our opinion, the consolidated statements of income, of shareholders' equity and of cash flows (appearing on pages 48 through 51 of the Limited Brands, Inc. 2004 Annual Report to Shareholders which has been incorporated by reference in this Form 10-K) present fairly, in all material respects, the results of operations and cash flows of Limited Brands, Inc. and its subsidiaries for the year ended February 1, 2003, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Columbus, Ohio
February 27, 2003

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

Schedules have been omitted because they are not required or are not applicable or because the information required to be set forth therein either is not material or is included in the financial statements or notes thereto.

(a) (3) List of Exhibits.

3. Articles of Incorporation and Bylaws.

3.1 Certificate of Incorporation of the Company, dated March 8, 1982 incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2001.

3.2 Certificate of Amendment of Certificate of Incorporation, dated May 19, 1986 incorporated by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2001.

3.3 Certificate of Amendment of Certificate of Incorporation, dated May 19, 1987 incorporated by reference to Exhibit 3.3 to the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2001.

3.4 Certificate of Amendment of Certificate of Incorporation dated May 31, 2001 incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended May 5, 2001.

3.5 Amended and Restated Bylaws of the Company incorporated by reference to Exhibit 3 to the Company's Quarterly Report on Form 10-Q for the quarter ended May 3, 2003.

4. Instruments Defining the Rights of Security Holders.

4.1 Conformed copy of the Indenture dated as of March 15, 1988 between the Company and The Bank of New York, incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3 (File no. 333-105484) dated May 22, 2003.

4.2 Proposed form of Debt Warrant Agreement for Warrants attached to Debt Securities, with proposed form of Debt Warrant Certificate incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-3 (File no. 33-53366) originally filed with the Securities and Exchange Commission (the "Commission") on October 16, 1992, as amended by Amendment No. 1 thereto, filed with the Commission on February 23, 1993 (the "1993 Form S-3").

4.3 Proposed form of Debt Warrant Agreement for Warrants not attached to Debt Securities, with proposed form of Debt Warrant Certificate incorporated by reference to Exhibit 4.3 to the 1993 Form S-3.

4.4 Indenture dated as of February 19, 2003 between the Company and The Bank of New York, incorporated by reference to Exhibit 4 to the Company's Registration Statement on Form S-4 (File no. 333-104633) dated April 18, 2003.

4.5 Five-Year Revolving Credit Agreement, dated as of October 6, 2004, among Limited Brands, Inc., the Lenders party thereto, JPMorgan Chase Bank, as Administrative Agent, and Bank of America, N.A. and Citicorp North America, Inc., as Co-Syndication Agents, incorporated by reference to Exhibit 12(b)(i) to the Schedule TO filed by the Company with the Commission on October 7, 2004.

4.6 Term Loan Credit Agreement, dated as of October 6, 2004, among Limited Brands, Inc., the Lenders party thereto, JPMorgan Chase Bank, as Administrative Agent, and Bank of America, N.A. and Citicorp North America, Inc., as Co-Syndication Agents, incorporated by reference to Exhibit 12(b)(ii) to the Schedule TO filed by the Company with the Commission on October 7, 2004.

10.	Material Contracts.
10.1	Officers' Benefits Plan incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended January 28, 1989 (the "1988 Form 10-K").*
10.2	The Limited Supplemental Retirement and Deferred Compensation Plan incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2001.*
10.3	Form of Indemnification Agreement between the Company and the directors and executive officers of the Company incorporated by reference to Exhibit 10.4 to the 1998 Form 10-K.*
10.4	Supplemental schedule of directors and executive officers who are parties to an Indemnification Agreement incorporated by reference to Exhibit 10.5 to the 1998 Form 10-K.*
10.5	The 1993 Stock Option and Performance Incentive Plan of the Company, incorporated by reference to Exhibit 4 to the Company's Registration Statement on Form S-8 (File No. 33-49871).*
10.6	The 1993 Stock Option and Performance Incentive Plan (1996 Restatement) of the Company, incorporated by reference to Exhibit 4 to the Company's Registration Statement on Form S-8 (File No. 333-04941).*
10.7	Intimate Brands, Inc. 1995 Stock Option and Performance Incentive Plan incorporated by reference to the Intimate Brands, Inc. Proxy Statement dated April 14, 1997 (File No. 1-13814).*
10.8	The 1997 Restatement of Limited Brands, Inc. (formerly The Limited, Inc.) 1993 Stock Option and Performance Incentive Plan incorporated by reference to Exhibit B to the Company's Proxy Statement dated April 14, 1997.*
10.9	Limited Brands, Inc. (formerly The Limited, Inc.) 1996 Stock Plan for Non-Associate Directors incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended November 2, 1996.*
10.10	Limited Brands, Inc. (formerly The Limited, Inc.) Incentive Compensation Performance Plan incorporated by reference to Exhibit A to the Company's Proxy Statement dated April 14, 1997.*
10.11	Agreement dated as of May 3, 1999 among Limited Brands, Inc. (formerly The Limited, Inc.), Leslie H. Wexner and the Wexner Children's Trust, incorporated by reference to Exhibit 99 (c) 1 to the Company's Schedule 13E-4 dated May 4, 1999.
10.12	The 1998 Restatement of Limited Brands, Inc. (formerly The Limited, Inc.) 1993 Stock Option and Performance Incentive Plan incorporated by reference to Exhibit A to the Company's Proxy Statement dated April 20, 1998.*
10.13	Indemnification Agreement by and between Limited Brands, Inc. (formerly The Limited, Inc.) and Mark A. Giresi dated December 10, 2001, incorporated by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2002.*
10.14	Employment Agreement by and between Limited Brands, Inc. (formerly The Limited, Inc.) and Mark Giresi dated as of August 15, 2002, incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K for the fiscal year ended February 1, 2003.*
10.15	The 2002 Restatement of Limited Brands, Inc. (formerly The Limited, Inc.) 1993 Stock Option and Performance Incentive Plan, incorporated by reference to Exhibit 10.23 to the Company's Annual Report on Form 10-K for the fiscal year ended February 1, 2003.*
10.16	Stock Purchase Agreement dated as of November 22, 2002 among NY & Co. Group, Inc., LFAS, Inc. and Limited Brands, Inc. related to the Purchase and Sale of 100% of the Common Stock of Lerner New York Holding Inc., incorporated by reference to Exhibit 10.24 to the Company's Annual Report on Form 10-K for the fiscal year ended February 1, 2003.

10.17	Employment Agreement by and between Limited Brands, Inc. and Leonard A. Schlesinger dated as of July 31, 2003, incorporated by reference to Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 2, 2003.*
10.18	Limited Brands, Inc. Stock Award and Deferred Compensation Plan for Non-Associate Directors incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8 (File no. 333-110465) dated November 13, 2003.*
10.19	Limited Brands, Inc. 1993 Stock Option and Performance Incentive Plan (2003 Restatement) incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-8 (File no. 333-110465) dated November 13, 2003.*
10.20	Amendment to Employment Agreement of Mark A. Giresi dated as of May 19, 2003 incorporated by reference to Exhibit (d)(4) to the Company's Tender Offer Statement on Schedule TO (File no. 005-33912) dated February 27, 2004.*
10.21	Employment Agreement by and between Limited Brands, Inc. and V. Ann Hailey dated as of January 2, 2004 incorporated by reference to Exhibit (d)(6) to the Company's Tender Offer Statement on Schedule TO (File no. 005-33912) dated February 27, 2004.*
10.22	Limited Brands, Inc. 1993 Stock Option and Performance Incentive Plan (2004 Restatement) incorporated by reference to Appendix A to the Company's Proxy Statement dated April 14, 2004.*
10.23	Employment agreement entered into as of May 1, 2002 between Jerry Stritzke and MAST Industries, Inc. and Limited Brands, Inc. incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q dated June 9, 2004.*
10.24	Employment agreement amendment entered into as of May 19, 2003 between Jerry Stritzke and MAST Industries, Inc. and Limited Brands, Inc. incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q dated June 9, 2004.*
10.25	Form of Aircraft Time Sharing Agreement between Limited Service Corporation and participating officers and directors incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q dated December 8, 2004.*
10.26	Employment Agreement dated as of January 17, 2005 among Limited Brands, Inc, The Limited Service Corporation and Martyn Redgrave incorporated by reference to Exhibit 10.1 to the Company's Form 8-K dated January 19, 2005.*
10.27	Employment Agreement dated as of January 5, 2005 among Limited Brands, Inc, The Limited Service Corporation and Jay Margolis incorporated by reference to Exhibit 10.2 to the Company's Form 8-K dated January 19, 2005.*
10.28	Amendment to Employment Agreement of V. Ann Hailey dated as of January 2, 2004 incorporated by reference to Exhibit 10.1 to the Company's Form 8-K dated March 8, 2005.*
10.29	Limited Brands, Inc. Stock Option Award Agreement.*
10.30	Form of Amended and Restated Aircraft Time Sharing Agreement between Limited Service Corporation and participating officers and directors.*
10.31	Incentive Compensation Payout Program.*
10.32	Form of Stock Ownership Guideline.*

12	Computation of Ratio of Earnings to Fixed Charges.
13	Excerpts from the 2004 Annual Report to Shareholders including “Financial Summary,” “Management’s Discussion and Analysis,” “Consolidated Financial Statements and Notes to Consolidated Financial Statements,” “Management’s Report on Internal Control Over Financial Reporting” and “Reports of Independent Registered Public Accounting Firm” on pages 29 through 71.
14	Code of Ethics – incorporated by reference to the definitive Proxy Statement to be filed on or about April 8, 2005.
21	Subsidiaries of the Registrant.
23.1	Consent of Ernst & Young LLP.
23.2	Consent of PricewaterhouseCoopers LLP.
24	Powers of Attorney.
31.1	Section 302 Certification of CEO.
31.2	Section 302 Certification of CFO.
32	Section 906 Certification (by CEO and CFO).
99.1	Cautionary Statements Relating to Forward-Looking Information.

* Identifies management contracts or compensatory plans or arrangements.

(b) Exhibits.

The exhibits to this report are listed in section (a)(3) of Item 15 above.

SIGNATURES

Pursuant to the requirements of Section 13 or l5(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: April 8, 2005

LIMITED BRANDS, INC (registrant)

By /s/ V. ANN HAILEY

V. Ann Hailey,
Executive Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on January 29, 2005:

Signature	Title
/s/ LESLIE H. WEXNER* Leslie H. Wexner	Chairman of the Board of Directors and Chief Executive Officer
/s/ EUGENE M. FREEDMAN* Eugene M. Freedman	Director
/s/ E. GORDON GEE* E. Gordon Gee	Director
/s/ V. ANN HAILEY* V. Ann Hailey	Director
/s/ JAMES L. HESKETT* James L. Heskett	Director
/s/ DONNA A. JAMES* Donna A. James	Director
/s/ DAVID T. KOLLAT* David T. Kollat	Director
/s/ WILLIAM R. LOOMIS, JR.* William R. Loomis, Jr.	Director
/s/ LEONARD A. SCHLESINGER* Leonard A. Schlesinger	Director
/s/ DONALD B. SHACKELFORD* Donald B. Shackelford	Director
/s/ ALLAN R. TESSLER* Allan R. Tessler	Director
/s/ ABIGAIL S. WEXNER* Abigail S. Wexner	Director
/s/ RAYMOND ZIMMERMAN* Raymond Zimmerman	Director

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

By /s/ V. ANN HAILEY

V. Ann Hailey
Attorney-in-fact

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

LIMITED BRANDS, INC.

(exact name of Registrant as specified in its charter)

EXHIBITS

EXHIBIT INDEX

Exhibit No.	Document
10.29	Limited Brands, Inc. Stock Option Award Agreement.
10.30	Form of Amended and Restated Aircraft Time Sharing Agreement between Limited Service Corporation and participating officers and directors.
10.31	Incentive Compensation Payout Program.
10.32	Form of Stock Ownership Guideline.
12	Computation of Ratio of Earnings to Fixed Charges.
13	Excerpts from the 2004 Annual Report to Shareholders including “Financial Summary,” “Management’s Discussion and Analysis,” “Consolidated Financial Statements and Notes to Consolidated Financial Statements,” “Management’s Report on Internal Control Over Financial Reporting” and “Reports of Independent Registered Public Accounting Firm” on pages 29 through 71.
21	Subsidiaries of the Registrant.
23.1	Consent of Ernst & Young LLP.
23.2	Consent of PricewaterhouseCoopers LLP.
24	Powers of Attorney.
31.1	Section 302 Certification of CEO.
31.2	Section 302 Certification of CFO.
32	Section 906 Certification (by CEO and CFO).
99.1	Cautionary Statements Relating to Forward-Looking Information.

Exhibit 10.29

Limited Brands

STOCK OPTION AWARD AGREEMENT

This Stock Option Agreement is entered into by and between Limited Brands, Inc. (the "Company") and the associate of the Company whose name appears below (the "Associate") in order to set forth the terms and conditions of Options granted to the Associate under The Limited, Inc. 1993 Stock Option and Performance Incentive Plan (2003 Restatement) (the "Plan").

Associate's Name:

Business Unit:

Social Security Number:

Address:

Option Type	Date of Grant	Expiration Date	Number of Shares	Option Price	Vesting Schedule	
					Date	Shares
Incentive (ISO)					4-year vesting 25% per year	

Subject to the attached Terms and Conditions and the terms of the Plan, and subject to the execution of the attached Confidentiality, Non-Competition and Intellectual Property Agreement, which are incorporated herein by reference, the Company hereby grants to the Associate Options to purchase shares of Common Stock of the Company, as outlined above.

The Company and the Associate have executed this Agreement as of the Date of Grant set forth above.

LIMITED BRANDS, INC. ASSOCIATE:

By: ______________________________ ______________________________

Leslie H. Wexner, Chairman

PLEASE RETURN ONE SIGNED COPY OF THIS AGREEMENT TO
PAM WILSON, LIMITED BRANDS, THREE LIMITED PARKWAY, COLUMBUS. OH 43230 614.415.7049

LIMITED BRANDS, INC.

1993 Stock Option and Performance Incentive Plan (2003 Restatement)

Terms and Conditions of Stock Option Grant

(1) EXERCISE OF OPTIONS. The Associate may exercise one or more of the Options granted in the Stock Option Agreement to the extent exercisable, by giving written notice on a form provided by the Committee specifying the number of Options being exercised and the exercise date and by tendering payment for the shares of Common Stock being purchased under the Options. The Options shall expire on the tenth anniversary of the Date of Grant (the "Expiration Date")

(2) PAYMENT FOR SHARES. Payment for the shares of Common Stock issuable upon exercise of an Option shall be made in full in cash or by certified check. The Associate may exercise the Option through a cashless exercise procedure which the Company shall use its reasonable best efforts to maintain. Any payment for shares must include such additional amounts as may be required by the Company to satisfy Federal, state and local withholding tax requirements.

(3) ISSUANCE OF CERTIFICATES. As soon as reasonably practicable following the exercise of an Option and the receipt by the Company of payment for the shares and applicable withholding taxes, a certificate representing the shares of Common Stock purchased, registered in the name of the Associate shall be delivered to the Associate.

(4) TERMINATION OF EMPLOYMENT (FOR REASONS OTHER THAN DEATH OR TOTAL DISABILITY). Upon termination of the Associate's employment with the Company for reasons other than death or total disability, the Associate shall be entitled to exercise the Options, to the extent exercisable on the date of the Associate's termination at any time within the one (1) year period immediately following the date of the Associate's termination of employment (but not later than the Expiration Date); provided, however, that if the Options were granted prior to May 19, 2003 with an option price that is less than the fair market value of a share of Common Stock on May 19, 2003, the Option must be exercised within three (3) months following the Associate's termination of employment. In the event the Associate's employment is terminated by his or her employer for gross misconduct, the Associate shall be entitled to exercise the Options, to the extent exercisable on the date of termination, at any time within the three (3) month period following the date of the Associate's termination of employment for gross misconduct if the Options were granted to the Associate prior to May 19, 2003, and at any time within the thirty (30) day period following the Associate's termination of employment if the Options were granted after May 18, 2003.

(5) TERMINATION OF EMPLOYMENT (TOTAL DISABILITY). Upon termination of the Associate's employment for reasons of total disability, the Associate shall be entitled to exercise the Options, to the extent exercisable on the date of the Associate's termination, at any time within the three (3) month period immediately following the date of the Associate's termination of employment (but not later than the Expiration Date), it being understood that the Associate's termination of employment will occur after nine (9) months of absence due to the total disability.

(6) TERMINATION OF EMPLOYMENT (DEATH). Upon termination of the Associate's employment due to death while employed by the Company, the Options shall become fully exercisable by the Associate's beneficiary and may be exercised at any time within one (1) year after the date of the Associate's death (but not later than the Expiration Date). If the Associate dies following termination of employment, the Associate beneficiary shall be entitled to exercise the Options, to the extent exercisable on the date of the Associate's termination of employment, during the same period that the Associate would have been entitled to exercise the Option if the Associate had not died.

(7) EFFECT OF CHANGE IN CONTROL. Upon a Change in Control, as defined in the Plan, the Options, to the extent not then exercisable, shall become fully exercisable.

(8) NONTRANSFERABILITY. Options granted under the Plan may not be transferred, assigned pledged or hypothecated (whether by operation of law or otherwise), except as provided by will or the applicable laws of descent and distribution, and neither Options nor Tax Offset Payments shall be subject, in whole or in part, to execution, attachment or similar process.

(9) NOTICE OF RESALE. If any person disposes of shares of Common Stock acquired pursuant to an Incentive Stock Option before one (1) year from the date of issuance by the Company of such stock or two (2) years from the Date of Grant of such Option, then the person disposing of such shares shall give written notice of the disposition to the Company, on a form provided by the Committee, not later than ten (10) days after the disposition.

(10) MISCELLANEOUS.

(a) Definitions. Terms used in this Agreement which are defined in the Plan shall have the respective meanings set forth in the Plan.

(b) No Right To Employment. This Agreement shall not confer upon the Associate any right to continue in the employ of the Company or any subsidiary or to be entitled to any remuneration or benefits not set forth in this Agreement or the Plan nor interfere with or limit the right of the Company or any subsidiary to modify the terms of or terminate the Associate's employment at any time.

(c) Notice. Any notice or other communication required or permitted to be given under this Agreement must be given by personal delivery or by registered or certified mail, return receipt requested and addressed, if to the Committee or the Company, at the principal office of the Company and, if to the Associate, at the Associate's last known address as set forth in the books and records of the Company.

(d) Plan to Govern. This Agreement and the rights of the Associate hereunder are subject to all of the terms and conditions of the Plan as the same may be amended from time to time, as well as to such rules and regulations as the Committee may adopt for the administration of the Plan.

(e) Amendment. Subject to restrictions set forth in the Plan, the Company may from time to time suspend, modify or amend this Agreement. No suspension, modification or amendment of this Agreement may, without the consent of the Associate, adversely affect the rights of the Associate with respect to the Options or Tax Offset Payments granted pursuant to this Agreement.

(f) Severability. In the event that any provision of this Agreement shall he held illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining provisions of this Agreement, and this Agreement shall be construed and enforced as if the illegal or invalid provision had not been included.

(g) Entire Agreement. This Agreement and the Plan contain all of the understandings between the Company and the Associate concerning the Options granted hereunder and supersede all prior agreements and understandings.

(h) Counterparts. This Agreement may be executed in counterparts, each of which when signed by the Company and the Associate will be an original and all of which together will be the same Agreement.

(i) Governing Law. To the extent not preempted by Federal law, this Agreement shall be construed in accordance with and governed by the laws of the State of Delaware.

Limited Brands

STOCK OPTION AWARD AGREEMENT

Restricted Stock Agreement

This Restricted Stock Agreement is entered into by and between Limited Brands, Inc. (the "Company") and the associate of the Company whose name appears below (the "Associate") in order to set forth the terms and conditions of a Restricted Stock Award granted to the Associate under Limited Brands, Inc. 1993 Stock Option and Performance Incentive Plan (2003 Restatement) (the "Plan").

Associate's Name:

Business Unit:

Social Security Number:

Address:

Grant Type	Date of Grant	Number of Shares	Vesting Schedule	
			Date	Shares
Restricted (RSP)			Typically either cliff-vesting or ratable vesting over either 3 or 4 years	

Subject to the attached Terms and Conditions and the terms of the Plan, which are incorporated herein by reference, the Company hereby grants to the Associate Restricted shares, as outlined above.

The Company and the Associate have executed this Agreement as of the Date of Grant set forth above.

LIMITED BRANDS, INC. ASSOCIATE:

By: ______________________________ ______________________________

Leslie H. Wexner, Chairman

PLEASE RETURN ONE SIGNED COPY OF THIS AGREEMENT TO
PAM WILSON, LIMITED BRANDS, THREE LIMITED PARKWAY, COLUMBUS, OH 43230 614.415.7049

LIMITED BRANDS

1993 STOCK OPTION AND PERFORMANCE INCENTIVE PLAN
(2003 Restatement)

Terms and Conditions of Restricted Stock Grant

(1) **RESTRICTIONS.** None of the Restricted Shares may be sold, transferred, assigned, pledged or otherwise encumbered or disposed of during the Restricted Periods described on the Restricted Stock Agreement or prior to the satisfaction of all conditions which may be specified in an appendix to this Agreement. The Committee, in its sole discretion, may shorten or terminate the Restricted Periods or waive any of such conditions.

(2) **RECORDING OF AWARD.** The Company shall issue the Restricted Shares as of the date of grant and shall cause the award to be appropriately recorded.

(3) **RIGHTS OF ASSOCIATE.** During the applicable Restricted Period, the Associate shall not have the right to vote the Restricted Shares or to receive dividends with respect thereto.

(4) **FORFEITURES.** Restricted Shares granted to the Associate pursuant to this Agreement shall be forfeited if the Associate's employment with the Company or its subsidiaries is terminated for any reason prior to the expiration or termination of the applicable Restricted Period or if the conditions set forth in any appendix hereto are not satisfied. Upon such forfeiture, the Secretary of the Company shall cancel the Restricted Shares or retain them in the Company's treasury. If the Associate's employment terminates as a result of his or her death or total disability, the Restricted Shares shall be forfeited unless the Committee, in its sole discretion, shall determine otherwise.

(5) **DELIVERY OF RESTRICTED SHARES.** Upon the expiration or termination of a Restricted Period and the satisfaction of all other conditions prescribed by the Committee, the restrictions applicable to the Restricted Shares shall lapse and a stock certificate for the number of shares of Common Stock with respect to which the restrictions have lapsed shall be delivered, free of all such restrictions, to the Associate or the Associate's beneficiary or estate, as the case may be.

(6) **TAX WITHHOLDING.** The Company shall have the right to require the Associate or the Associate's beneficiaries or legal representatives to remit to the Company an amount sufficient to satisfy Federal, state or local withholding tax requirements, or to deduct from distributions under the Plan (including Tax Offset Payments, if any) amounts sufficient to satisfy such withholding tax requirements.

(7) **MISCELLANEOUS.**

(a) Definitions. Terms used in this Agreement which are defined in the Plan shall have the respective meanings set forth in the Plan.

(b) No Right to Employment. This Agreement shall not confer upon the Associate any right to continue in the employ of the Company or any subsidiary or to be entitled to any remuneration or benefits not set forth in this Agreement or the Plan nor interfere with or limit the right of the Company or any subsidiary to modify the terms of or terminate the Associate's employment at any time.

(c) Notice. Any notice or other communication required or permitted to be given under this Agreement must be given by personal delivery or by registered or certified mail, return receipt requested, and addressed, if to the Committee or the Company, at the principal office of the Company and, if to the Associate, at the Associate's last known address as set forth in the books and records of the Company.

(d) Plan to Govern. This Agreement and the rights of the Associate hereunder are subject to all of the terms and conditions of the Plan, as the same may be amended from time to time, as well as to such rules and regulations as the Committee may adopt for the administration of the Plan.

(e) Amendment. Subject to restrictions set forth in the Plan, the Company may from time to time suspend, modify or amend this Agreement. No suspension, modification or amendment of this Agreement may, without the consent of the Associate, adversely affect the rights of the Associate with respect to the Restricted Shares or Tax Offset Payments granted pursuant to this Agreement.

(f) Severability. In the event that any provision of this Agreement shall be held illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining provisions of this Agreement, and this Agreement shall be construed and enforced as if the illegal or invalid provision had not been included.

(g) Entire Agreement. This Agreement and the Plan contain all of the understandings between the Company and the Associate concerning the Restricted Shares granted hereunder and supersede all prior agreements and understandings.

(h) Counterparts. This Agreement may be executed in counterparts, each of which when signed by the Company and the Associate will be an original and all of which together will be the same Agreement.

(i) Governing Law. To the extent not preempted by Federal law, this Agreement shall be construed in accordance with and governed by the laws of the State of Delaware.

(For VP level and above)

CONFIDENTIALITY, NON-COMPETITION AND INTELLECTUAL PROPERTY AGREEMENT

As an executive associate of a subsidiary of Limited Brands or one of it's affiliates (collectively, the "Company"), I have access to or may develop trade secrets, intellectual property, and other confidential or proprietary information ("Confidential Information") of the Company.

THEREFORE, in consideration of both my employment with the Company and my right to receive options to acquire <# shares> shares of the common stock of Limited Brands pursuant to the terms of the Stock Option Plan as amended, and in recognition of the highly competitive nature of the business conduct by the Company, I agree as follows:

1. I will at all times during and after my employment with the Company faithfully hold the Company's Confidential Information in the strictest confidence, and I will use my best efforts and highest diligence to guard against its disclosure to anyone other than as required in the performance of my duties to the Company. I will not use Confidential Information for my personal benefit or for the benefit of any competitor or other person. I understand that Confidential Information includes all information and materials relating to Intellectual Property, as defined below, the Company's trade secrets and all information relating to the Company that the Company has not made available to the public. By way of example, Confidential Information includes information about the Company's products, designs, processes, advertising, marketing, promotional plans, technical procedures, strategies, financial information, and many other types of information and materials. Upon termination of my employment with the Company, regardless of the reason for such termination, I will return to the Company all documents and other materials of any kind that contain Confidential Information.

2. If I leave the Company for any reason whatsoever, then for a period of twelve (12) months after my separation from the Company, I will not directly or indirectly solicit, induce or attempt to influence any associate to leave the employment of the Company, nor will I in any way assist anyone else in doing so.

3. I understand that my employment with the Company is and at all times shall be "at will," which means that either the Company or I may terminate my employment at any time, for any reason or for no reason. However, if my employment with the Company is terminated by the Company for reasons other than for cause as defined below, I understand that the Company will continue to pay me my base salary for a period of twenty-six (26) weeks (paid in accordance with the Company's normal payroll practices), minus the deductions required by law and subject to a deduction for any salary or compensation that I earn from other employment or self-employment during the time period in question, regardless of when such amount is payable. Cause for termination of my employment shall exist in the event I: (1) willfully fail to perform my duties with the Company (other than a failure resulting from my incapacity due to physical or mental illness); or (2) plead "guilty" or "no contest" to or am convicted of an act which is defined as a felony under federal or state law; or (3) engage in willful misconduct in bad faith which could reasonably be expected to materially harm the Company's business or its reputation.

4. If I decide to resign my employment with the Company, I will provide the Company with thirty (30) days prior written notice.

5. If I resign my employment or if my employment is terminated by the Company for cause, I will not, for a period of six (6) months after my separation from the Company, directly or indirectly, work for or contribute to the efforts of any business organization that competes, or plans to compete, with the Company or its products.

6. I agree that all inventions, designs and ideas conceived, produced, created, or reduced to practice, either solely or jointly with others, during my employment with the Company, including those developed on my own time, which relate to or are useful in the Company's business ("Intellectual Property") shall be owned solely by the Company. I understand 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 U.S. Copyright Act, or, if such Intellectual Property is determined not to be work made for hire, then I irrevocably assign all right, title and interest in and to the Intellectual Property to the Company, including all copyrights, patents, and/or trademarks. I will, without any additional consideration, execute all documents and take all other actions needed to convey my 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. I agree that the Company may alter or modify the Intellectual Property at the Company's sole discretion, and I waive all right to claim or disclaim authorship. I represent and warrant that any Intellectual Property that I assign to the Company, except as otherwise disclosed in writing at the time of assignment, will be my sole, exclusive, original work. I have not previously invented any Intellectual Property or I have advised the Company in writing of any prior inventions or ideas.

7. Compensation Upon Certain Terminations During the 24-Month Period Following a Change in Control as Defined in the Company's Stock Option Plan as Amended

(a) If the Executive's employment is terminated by the Company other than for "Cause" (as defined below) during the 24 month-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 any amounts earned but not paid as of the termination date such as base salary, reimbursement for expenses incurred prior to the termination date and any earned compensation which the Executive had previously deferred (including any interest credited thereon);

(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 Executive's annual base salary;

(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 two (2) bonus payments the Executive received under the Company's incentive compensation plan; and

(iv) 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 twelve (12) 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 7(a)(iv) hereof, the Executive shall not be required to mitigate the amount of any payment provided for in this Section 7 by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Section 7 be reduced by an 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.

(c) 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.

8. This Agreement cannot be changed in any way unless the Company agrees in writing and this Agreement will be governed by and interpreted in accordance with Ohio law.

Date:____________________________ ____________________________

<Name>

(For Director level)

CONFIDENTIALITY, NONSOLICITATION AND INTELLECTUAL PROPERTY AGREEMENT

As an executive associate of a subsidiary of Limited Brands, Inc. or one of its affiliates (collectively, the "Company"), I have access to or may develop trade secrets, intellectual property, and other confidential or proprietary information ("Confidential Information") of the Company.

THEREFORE, in consideration of both my employment with the Company and my right to receive options to acquire <# shares> of the common stock of Limited Brands, Inc. pursuant to the terms of the Plan, and in recognition of the highly competitive nature of the business conducted by the Company, I agree as follows:

1. I will at all times during and after my employment with the Company faithfully hold the Company's Confidential Information in the strictest confidence, and I will use my best efforts and highest diligence to guard against its disclosure to anyone other than as required in the performance of my duties to the Company, I will not use Confidential Information for my personal benefit or for the benefit of any competitor or other person. I understand that Confidential Information includes all information and materials relating to Intellectual Property, as defined below, the Company's trade secrets and all information relating to the Company that the Company has not made available to the public. By way of example, Confidential Information includes information about the Company's products, designs, processes, advertising, marketing, promotional plans, technical procedures, strategies, financial information, and many other types of information and materials. Upon termination of my employment with the Company, regardless of the reason for such termination, I will return to the Company all documents and other materials of any kind that contain Confidential Information. I will not use any confidential information of any third party, including any prior employer, in the course of my work for the Company.

2. If I leave the Company for any reason whatsoever, then for a period of twelve (12) months after my separation from the Company, I will not directly or indirectly solicit, induce or attempt to influence any associate to leave the employment of the Company, nor will I in any way assist anyone else in doing so.

3. I agree that all inventions, designs and ideas conceived, produced, created, or reduced to practice, either solely or jointly with others, during my employment with the Company, including those developed on my own time, which relate to or are useful in the Company's business ("Intellectual Property") shall be owned solely by the Company, I understand 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 U. S. Copyright Act, or, if such Intellectual Property is determined not to be work made for hire, then I irrevocably assign all right, title and interest in and to the Intellectual Property to the Company, including all copyrights, patents, and/or trademarks. I will, without any additional consideration, execute all documents and take all other actions needed to convey my 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. I agree that the Company may alter or modify the Intellectual Property at the Company's sole discretion, and I waive all right to claim or disclaim authorship. I represent and warrant that any Intellectual Property that I assign to the Company, except as otherwise disclosed in writing at the time of assignment, will be my sole, exclusive, original work. I have not previously invented any Intellectual Property or I have advised the Company in writing of any prior inventions or ideas.

4. This Agreement cannot be changed in any way unless the Company agrees in writing and this Agreement will be governed by and interpreted in accordance with Ohio law.

Date:______________________________ ______________________________

Name
Brand

Exhibit 10.30

AMENDED AND RESTATED AIRCRAFT TIME SHARING AGREEMENT

This Aircraft Time Sharing Agreement (“Agreement”) is entered into on April __, 2005, effective, however, as of December 8, 2004 (the “Effective Date”) by and between **LIMITED SERVICE CORPORATION,** a Delaware corporation (“Operator”), and each of the individuals whose name appears on Schedule 1 hereto, as the same may be amended from time to time (each, a “Time Share Lessee”).

Recitals: This Agreement is made under the following circumstances.

A. Operator controls and operates in the legal capacity of lessee each of the Aircraft (as defined and described below).

B. Operator employs (or contracts for the services of) a fully qualified flight crew to operate each Aircraft.

C. Each Time Share Lessee desires from time to time to sublease the Aircraft, with a flight crew, on a non-exclusive basis, from Operator on a time sharing basis as defined in Section 91.501(c)(1) of the FAR.

D. Operator is willing to sublease the Aircraft, with flight crew, on a non-exclusive basis, to Time Share Lessees on a time sharing basis.

E. During the Term of this Agreement, the Aircraft will be subject to use by Operator and/or other one or more subleases to third-parties.

F. Operator and various of the Time Share Lessees entered into an Aircraft Time Share Agreement as of December 8, 2004, which was subsequently amended by Amendment No. 2, also dated as of December 8, 2004, to adjust the amount of the flight charges under Section 4.1, and which was amended by Amendments No.1 and No. 3, dated as of January 13, 2005 and February 3, 2005, respectively, adding certain other Time Share Lessees.

G. Certain other persons have become Time Share Lessees by virtue of one or more Applications To Be Bound By Time Sharing Agreement executed by such persons and accepted by the Operator.

H. For convenience, Operator and the Time Share Lessees desire to restate the Agreement, as amended, in its entirety.

I. By virtue of executing the original Agreement, the Amendment or the Application To Be Bound, as the case may be, each of the Time Share Lessees has authorized Operator to execute and deliver this Agreement, and any necessary future amendments, on their behalf, as more fully provided below.

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

Section 1. Definitions.

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

“Agreement” is defined in the preamble.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“Operator” is defined in the preamble.

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

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

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

"SIFL Rate" means the Standard Industry Fare Level rate as calculated in accordance with the regulations of the Internal Revenue Service from time to time in effect.

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

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

"Term" means the term of this Agreement set forth in Section 3.

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

1.2. Other Terms. Unless otherwise specified, the following terms, whether or not capitalized, will have the following meanings as used in this Agreement. "Hereof", "herein", "hereunder" and similar terms refer to this Agreement as a whole, and are not limited to the section or subdivision of this Agreement in which the term appears. "Includes, "including" and similar terms mean without limitation. "Person" includes any natural person, corporation, general or limited partnership, limited liability company, other incorporated or unincorporated association, trust, governmental body or other entity.

Section 2. Agreement to Sublease.

2.1. Agreement to Sublease. Operator agrees to sublease the Aircraft to Time Share Lessees on an "as needed and as available" basis, and to provide a fully qualified flight crew for all flights of each Time Share Lessee, in accordance with the terms and conditions of this Agreement.

2.2. Independent Agreements. The Time Share Lessees are listed in a single document for the sole purpose of convenience of the Operator. This Agreement shall be deemed a separate Time Sharing Agreement as between Operator and each Time Share Lessee. Without limiting the preceding sentence:

2.2.1. Operator may from time to time agree to add additional persons as a Time Share Lessee, without notice to the existing Time Share Lessees. Each such agreement will be evidenced by a supplement to Schedule 1, signed by Operator and the new Time Share Lessee(s), setting forth the new Time Share Lessee's notice address, the date as to which this Agreement becomes effective as to the new Time Share Lessee, and his or her commitment to be bound by this Agreement.

2.2.2. The rights and obligations of each Time Share Lessee are independent of one another. Under no circumstances will any Time Share Lessee be deemed liable for any monetary or non-monetary obligations of any other Time Share Lessee hereunder, whether jointly, severally, or by way of suretyship or guaranty.

2.2.3. Termination of this Agreement as to any one or more of the Time Share Lessees shall not be deemed to be a termination as to any other Time Share Lessee.

2.3. Intent and Interpretation. The parties hereto intend that this Agreement shall constitute, and this Agreement shall be interpreted as, a T*ime Sharing Agreement* as defined in Section 91.501(c)(1) of the FAR.

2.4. Non-Exclusivity. Each Time Share Lessee acknowledges that the Aircraft is subleased to Time Share Lessees hereunder on a non-exclusive basis, and that the Aircraft will also be subject use by Operator and Operator's parent, subsidiaries, and affiliates, and may also be subject to non-exclusive sublease to others during the Term.

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

A) This Agreement shall end as to any Time Share Lessee at such time as that Time Share Lessee is neither an officer, director or employee of Operator nor of any parent corporation, subsidiary or affiliate of Operator.

B) Each Time Share Lessee shall have the right to terminate this Agreement with or without cause on thirty (30) days written notice to the Operator, and the Operator shall have right to terminate this Agreement as to any one or more Time Share Lessees with or without cause on thirty (30) days written notice to the Time Share Lessee or Lessees in question, without need in either case to notify any Time Share Lessee as to whom the Agreement is not being terminated.

Section 4. Payments.

4.1. Flight Charges. Each Time Share Lessee shall pay Operator for each flight conducted for that Time Share Lessee under this Agreement an amount equal to that Time Share Lessee's pro rata share of the lesser of the amount calculated under Section 4.1.1 and the amount calculated under Section 4.1.2.

4.1.1. An amount equal to the greater of **(a)** the SIFL Rate then in effect, or **(b)** the product of the number of Flight Hours of the duration of the flight, rounded to the nearest 1/10th of a Flight Hour, multiplied by the *Total Direct Costs Per Flight Hour* for the make and model of Aircraft as published by *Conklin & de Decker Aviation Information* , as updated from time to time; and

4.1.2. An amount equal to the maximum amount of expense reimbursement permitted in accordance with Section 91.501(d) of the FAR, which expenses include and are limited to:

a) fuel, oil, lubricants, and other additives;

b) travel expenses of the crew, including food, lodging and ground transportation;

c) hangar and tie down costs away from the Aircraft's base of operation;

d) insurance obtained for the specific flight;

e) landing fees, airport taxes and similar assessments;

f) customs, foreign permit, and similar fees directly related to the flight;

g) in-flight food and beverages;

h) passenger ground transportation;

i) flight planning and weather contract services; and

j) an additional charge equal to 100% of the expenses listed in Section 4.1.2(a).

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

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

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

Section 7. Scheduling Flights.

7.1. Submitting Flight Requests. Each Time Share Lessee shall submit requests for flights and proposed flight schedules to Operator as far in advance of any given flight as possible, and in any case, at least 24 hours in advance of Time Share Lessee's planned departure. Time Share Lessee shall provide Operator at least the following information for each proposed flight at least 24 hours prior to scheduled departure: departure airport; destination airport; date and time of departure; the number of anticipated passengers; the nature and extent of luggage and/or cargo to be carried; the date and time of return flight, if any; and any other information concerning the proposed flight that may be pertinent or required by Operator or Operator's flight crew.

7.2. Approval of Flight Requests. Each use of an Aircraft by a Time Share Lessee shall be subject to Operator's prior approval. Operator may approve or deny any flight scheduling request in Operator's sole discretion. Scheduling requests not approved in writing by 5:00 p.m. Columbus local time on the 2nd Business Day after the request is received by Operator shall be deemed denied. Operator shall be under no obligation to approve any flight request submitted by a Time Share Lessee, and shall have final authority over the scheduling of the Aircraft; provided, however, that Operator will use reasonable efforts to accommodate Time Share Lessee's needs and avoid conflicts in scheduling. If two or more Time Share Lessees make conflicting requests for use of the Aircraft, Operator shall have sole discretion to determine which, if any, of such requests to accommodate. Operator shall have sole discretion to determine which of the Aircraft, if any, to make available in response to the Time Share Lessee's request.

7.3. Subordinated Use of Aircraft. Each Time Share Lessee's rights to schedule use of the Aircraft during the Term of this Agreement shall at all times be subordinate to the Aircraft use requirements of Operator, and any parent corporation, subsidiary or affiliate of Operator (each an "Operator Related Entity"), and Operator and each Operator Related Entity shall at all times be entitled to preempt any scheduled, unscheduled, and anticipated use of the Aircraft by a Time Share Lessee, notwithstanding any prior approval by Operator of a request by such Time Share Lessee to schedule a flight.

7.4. Priority Use of Aircraft. Time Share Lessees' rights to schedule use of the Aircraft during the Term of this Agreement shall, subject to Section 7.2, at all times be superior to the Aircraft use requirements of any person to whom Operator has subleased or hereafter subleases the Aircraft other than another Time Share Lessee or an Operator Related Entity (any such person an "Unrelated Sublessee"), and a Time Share Lessee shall at all times be entitled to preempt any scheduled, unscheduled, and anticipated use of the Aircraft by any Unrelated Sublessee.

Section 8. Title and Operation.

8.1. Title and Registration; Subordination. Owners have exclusive legal and equitable title to the Aircraft, and Operator has priority leasehold possessory rights to the Aircraft pursuant to the Headlease. Each Time Share Lessee acknowledges that title to the Aircraft shall remain vested in Owner, and each Time Share Lessee undertakes, to the extent permitted by Applicable Law, to do all such further acts, deeds, assurances or things as may, (i) in the reasonable opinion of the Owner, be necessary or desirable in order to protect or preserve Operator's title to the Aircraft, and (ii) in the reasonable opinion of the Operator, be necessary or desirable in order to protect or preserve Operator's rights under the Headlease. Notwithstanding anything in this Agreement to the contrary, any rights Time Share Lessee may have in or to the Aircraft by virtue of this Agreement, including Time Share Lessee's rights to use of the Aircraft, are in all respects subordinate, junior, and subject to Owner's rights and interests under the Headlease, including, without limitation, the right of Owner to take possession of the Aircraft and Engines upon Operator's default under the Headlease. To the extent requested by Owner, its successors or assigns, each Time Share Lessee shall take all action necessary to continue all right, title and interest of Owner, its successors or assigns in the Aircraft under Applicable Law against any claims of any Time Share Lessee and any persons claiming by, through or under such Time Share Lessee.

8.2. Aircraft Maintenance and Flight Crew. Operator shall be solely responsible for maintenance, preventive maintenance and required or otherwise necessary inspections of the Aircraft, and shall take such requirements into account in scheduling the Aircraft. No period of maintenance, preventative maintenance, or inspection shall be delayed or postponed for the purpose of scheduling the Aircraft, unless said maintenance or inspection can be safely conducted at a later time in compliance with all Applicable Law, and with the sound discretion of the pilot in command.

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

8.4. OPERATIONAL CONTROL. THE PARTIES EXPRESSLY AGREE THAT OPERATOR SHALL HAVE AND MAINTAIN OPERATIONAL CONTROL OF THE AIRCRAFT FOR ALL FLIGHTS OPERATED UNDER THIS AGREEMENT, AND THAT THE INTENT OF THE PARTIES IS THAT THIS AGREEMENT CONSTITUTE A "TIME SHARING AGREEMENT" AS SUCH TERM IS DEFINED IN SECTION 91.501(C)(1) OF THE FAR. OPERATOR SHALL EXERCISE EXCLUSIVE AUTHORITY OVER INITIATING, CONDUCTING, OR TERMINATING ANY FLIGHT CONDUCTED ON BEHALF OF A TIME SHARE LESSEE PURSUANT TO THIS AGREEMENT.

8.6. Authority of Pilot In Command. Notwithstanding that Operator shall have Operational Control of the Aircraft during any flight conducted pursuant to this Agreement, Operator and the Time Share Lessees expressly agree that the Pilot in Command, in his or her sole discretion, may terminate any flight, refuse to commence any flight, or take any other flight-related action which in the judgment of the Pilot in Command is necessitated by considerations of safety. The Pilot in Command shall have final and complete authority to postpone or cancel any flight for any reason or condition which in his or her judgment would compromise the safety of the flight. No such action of the Pilot in Command shall create or support any liability of Operator to a Time Share Lessee for loss, injury, damage or delay.

8.7. Force Majeure. Operator shall not be liable for delay or failure to furnish the Aircraft and flight crew pursuant to this Agreement when such failure is caused by government regulation or authority, mechanical difficulty, war, civil commotion, strikes or labor disputes, weather conditions, acts of God or other unforeseen or unanticipated circumstances.

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

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

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

A) Use the Aircraft solely for and on account of his or her own personal or business use, and will not use the Aircraft for the purpose of providing transportation of passengers or cargo for compensation or hire;

B) Refrain from incurring any mechanic's or other lien in connection with inspection, preventative maintenance, maintenance or storage of the Aircraft, whether permissible or impermissible under this Agreement;

C) Not attempt to convey, mortgage, assign, lease, sublease, or any way alienate the Aircraft or create any kind of lien or security interest involving the Aircraft or do anything or take any action that might mature into such a lien; and

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

12. Miscellaneous.

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

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

If to a Time Share Lessee:
% Limited Brands Flight Dept.
4387 International Gateway
Columbus, OH 43219

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

12.2. No Waiver. No purported waiver by either party of any default by the other party of any term or provision contained herein shall be deemed to be a waiver of such term or provision unless the waiver is in writing and signed by the waiting party. No such waiver shall in any event be deemed a waiver of any subsequent default under the same or any other term or provision contained herein.

12.3. Entire Agreement. This Agreement sets forth the entire understanding between the parties concerning the subject matter this Agreement and incorporates all prior negotiations and understandings. There are no covenants, promises, agreements, conditions or understandings, either oral or written, between them relating to the subject matter of this Agreement other than those set forth herein. No representation or warranty has been made by or on behalf of any party (or any officer, director, employee or agent thereof) to induce any other party to enter into this Agreement or to abide by or consummate any transaction contemplated by any terms of this Agreement, except representations and warranties, if any, expressly set forth herein. No alteration, amendment, change or addition to this Agreement shall be binding upon either party unless in writing and signed by the party to be charged. Whenever in this Agreement any printed portion has been stricken out, whether or not any relative provision has been added, this Agreement shall be construed as if the material so stricken was never included herein and no inference shall be drawn from the material so stricken out which would be inconsistent in any way with the construction or interpretation which would be appropriate if such material were never contained herein.

12.4. No Agency or Partnership. Nothing contained in this Agreement shall be deemed or construed by the parties hereto or by any third person to create the relationship of principal and agent or of partnership or of joint venture.

12.5. Successors and Assigns. Each and all of the provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto, and except as otherwise specifically provided in this Agreement, their respective successors and assigns, provided, however, that neither this Agreement, nor any rights herein granted may be assigned, transferred or encumbered by any party, and any purported or attempted transfer or assignment by either party without the written consent of the other shall be void and of no effect; provided, however, that the rights and obligations of the Operator may be assigned without the consent of the Time Share Lessees to any assignee of Operator's rights and obligations under the Headlease.

12.6. Third Parties. Nothing herein expressed or implied is intended or shall be construed to confer upon or give any person other than the parties hereto and their successors or assigns, any rights or remedies under or by reason of this Agreement.

12.7. Joint Preparation. This Agreement is to be deemed to have been prepared jointly by the parties hereto, and any uncertainty or ambiguity existing herein, if any, shall not be interpreted against any party, but shall be interpreted according to the application of rules of interpretation for arm's-length agreements.

12.8. Captions; Recitals. The captions and section numbers appearing this Agreement are inserted only as a matter of convenience. They do not define, limit, construe or describe the scope or intent of the provisions of this Agreement. The Recitals at the beginning of this Agreement are intended to give an understanding of the factual background that led the parties to enter into this Agreement. The Recitals are not intended to be warranties, representations, covenants, or otherwise contractually binding.

12.9. Prohibited or Unenforceable Provisions. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibitions or unenforceability in any jurisdiction. To the extent permitted by applicable law, each of Operator and Time Share Lessee hereby waives any provision of applicable law which renders any provision hereof prohibited or unenforceable in any respect.

12.10. Governing Law. This Agreement shall be governed and construed by the provisions hereof and in accordance with the laws of the State of Ohio applicable to agreements to be performed in the State of Ohio, without giving effect to its conflict of laws provisions.

12.11. Counterparts. This Agreement may be executed in several counterparts, and/or by execution of counterpart signature pages which may be attached to one or more counterparts, and all counterparts so executed shall constitute one agreement binding on all of the parties hereto, notwithstanding that all the parties are not signatory to the original or to the same counterpart. In addition, any counterpart signature page may be executed by any party wherever that party is located, and may be delivered by telephone facsimile transmission, and any such facsimile transmitted signature page may be attached to one or more counterparts of this Agreement, and such faxed signature(s) shall have the same force and effect, and be as binding, as original signatures executed and delivered in person.

12.12. Manual Signatures Required. Any acceptance, signature, execution or validation of this Agreement or any communication or notice required hereunder, shall be manually signed and delivered by hard copy or by fax. No purported offer, acceptance, agreement, or binding agreement in connection with this transaction shall be made by automated agent, electronic agent, electronic mail, electronic signature, telephonic voice mail, sound recording, or other electronic means of any kind (other than fax), all as such terms are defined in the Uniform Electronic Transactions Act (“UETA”, Ohio Revised Code Chapter 1306), the Electronic Signatures in Global and National Commerce Act (“ESIGN”, U.S. Code Sections 7001 et seq.), or any similar state or federal legislation. This Section is intended as an express disclaimer of intent, and an express refusal, under UETA and ESIGN to conduct this transaction by electronic means. This Section cannot be waived except by manually signed, written consent of both parties.

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

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

(i) The addition of any person or persons as Time Share Lessee;

(ii) The cessation of the term of this Agreement as to any person or persons as Time Share Lessee; or

(iii) The addition, withdrawal or substitution of any of the Aircraft.

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

Section 14. DISCLAIMER. THE AIRCRAFT IS BEING SUBLEASED BY THE OPERATOR TO THE TIME SHARE LESSEES HEREUNDER ON A COMPLETELY “AS IS, WHERE IS,” BASIS, WHICH IS ACKNOWLEDGED AND AGREED TO BY THE TIME SHARE LESSEES. THE WARRANTIES AND REPRESENTATIONS SET FORTH IN THIS AGREEMENT ARE EXCLUSIVE AND IN LIEU OF ALL OTHER REPRESENTATIONS OR WARRANTIES WHATSOEVER, EXPRESS OR IMPLIED, AND OPERATOR HAS NOT MADE AND SHALL NOT BE CONSIDERED OR DEEMED TO HAVE MADE

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

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

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

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

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

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

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

Time Share Lessees named on Schedule 1 attached hereto, by Limited Service Corporation as their attorney in fact, pursuant to a Limited Purpose Power of Attorney

By:____
Samuel P. Fried, Senior Vice President & General Counsel

OPERATOR:
LIMITED SERVICE CORPORATION

By:____
Samuel P. Fried, Senior Vice President & General Counsel

Exhibit 10.31

Limited Brands, Inc.
Fiscal Year 2005 Bonus Opportunity for Named Executive Officers

The target incentive bonus compensation opportunity for each of the named executive officers of Limited Brands, Inc. is stated as a percentage of annual base salary, with payout potential ranging from 20% to 200% of that target (or no payout) based on achievement against operating income and strategic goals. For fiscal year 2005, which is divided into two performance periods (Spring season and Fall season), achievement against operating income goals each season will constitute 75% of the bonus determination, and achievement against strategic goals set for the Company’s INSIGHT technology and data infrastructure project each season will constitute 25% of the bonus determination. The Company’s Compensation Committee approves both the operating income goals and the strategic goals each season for the named executive officers.

For fiscal year 2005, the Spring season performance period (January 30, 2005 through July 30, 2005) will receive 40% weighting, and the Fall season performance period (July 31, 2005 through January 28, 2006) will receive 60% weighting. Executives that have not met the minimum share ownership requirement are required to receive at least 15% of their earned incentive compensation payment in the equivalent value of shares of Company stock.

Following are the fiscal year 2005 base salaries and bonus opportunities as a percentage of base salary for each of the named executive officers, as approved by the Company’s Compensation Committee on March 11, 2005.

Name	Annual Salary	Target Bonus %
Leslie H. Wexner	$ 1,700,000	160%
Leonard A. Schlesinger	$ 1,060,000	130%
Jay M. Margolis	$ 1,150,000	120%
Martyn Redgrave	$ 900,000	100%
V. Ann Hailey	$ 900,000	100%

Exhibit 10.32

March, 2005

Executive
Limited Support Group

The following chart provides a summary of your new compensation package for 2005:

2005 Compensation Summary

	2004	2005	% Increase
Annual Base Salary	$ XX	$ XX	X%
IC Target %	X%	X%	
Total Cash Compensation at Target	$ XX	$ XX	X%
	2005 Bi-Weekly Salary = $XXX		
Stock Options	**X,XXX**	Limited Brands shares at closing price on March 31st.	
	Stock Ownership Guideline : 3 x base salary*		
	Time to Achieve Guideline: 5 years		

* Guideline for executive positions other than Chairman/CEO (5x base salary) and Vice Chairman/COO (4x base salary).

Your 2005 base salary will be effective April 3, 2005, and will be reflected in your April 15, 2005 paycheck. You will receive more information regarding your 2005 stock-based awards later this spring.

Thank you for your contributions to the company during 2004.

cc: Associate Personnel File

This statement is for informational purposes only. It does not guarantee employment or any specific compensation level. Stock-based awards will be pursuant to the company’s 1993 Stock Option and Performance Incentive Plan (Restated 2003).

Exhibit 12

Limited Brands, Inc.
Computation of Ratio of Earnings to Fixed Charges
(Dollars in Millions)

	For the Fiscal Years Ended				
	January 29, 2005	January 31, 2004	February 1, 2003	February 2, 2002	February 3, 2001
Earnings:					
Income from continuing operations before income taxes and minority interest	$ 1,116	$ 1,166	$ 843	$ 946	$ 795
Fixed charges	225	228	197	199	225
Distributions from equity method investments, net of income or loss from equity investees	11	17	39	28	9
Total earnings	$ 1,352	$ 1,411	$ 1,079	$ 1,173	$ 1,029
Fixed charges:					
Portion of minimum rent representative of interest	$ 167	$ 166	$ 167	$ 165	$ 167
Interest on indebtedness	58	62	30	34	58
Total fixed charges	$ 225	$ 228	$ 197	$ 199	$ 225
Ratio of earnings to fixed charges	**6.0**	**6.2**	**5.5**	**5.9**	**4.6**

FINANCIAL SUMMARY

SUMMARY OF OPERATIONS D (millions except per share amounts, ratios, store and associate data)	2004	2003	2002	☐2001	« 2000
Net sales	**$ 9,408**	$ 8,934	$ 8,445	$ 8,423	$ 9,080
Gross income	**$ 3,378**	$ 3,251	$ 3,094	$ 3,016	$ 3,185
Gross income as a percentage of sales	**35.9%**	36.4%	36.6%	35.8%	35.1%
Operating income ·	**$ 1,027**	$ 963	$ 838	$ 896	$ 832
Operating income as a percentage of sales ·	**10.9%**	10.8%	9.9%	10.6%	9.2%
Income from continuing operations +	**$ 705**	$ 717	$ 496	$ 506	$ 407
Income from continuing operations as a percentage of sales +	**7.5%**	8.0%	5.9%	6.0%	4.5%
PER SHARE RESULTS					
Income per basic share: continuing operations +¢	**$ 1.50**	$ 1.38	$ 0.97	$ 1.18	$ 0.95
Income per diluted share: continuing operations +¢	**$ 1.47**	$ 1.36	$ 0.95	$ 1.16	$ 0.91
Dividends per share*	**$ 1.71**	$ 0.40	$ 0.30	$ 0.30	$ 0.30
Book value per share; end of year	**$ 5.74**	$ 10.17	$ 9.28	$ 6.39	$ 5.44
Weighted average diluted shares outstanding	**479**	526	522	435	443
OTHER FINANCIAL INFORMATION					
Total assets	**$ 6,089**	$ 7,880	$ 7,246	$ 5,094	$ 4,487
Return on average assets +	**10%**	9%	8%	11%	9%
Working capital	**$ 1,233**	$ 3,045	$ 2,347	$ 1,330	$ 1,034
Current ratio	**1.9**	3.2	2.9	1.9	1.9
Capital expenditures	**$ 431**	$ 293	$ 306	$ 377	$ 487
Long-term debt	**$ 1,646**	$ 648	$ 547	$ 250	$ 400
Debt-to-equity ratio	**70%**	12%	11%	9%	17%
Shareholders’ equity	**$ 2,335**	$ 5,266	$ 4,860	$ 2,744	$ 2,316
Return on average shareholders’ equity +	**19%**	14%	13%	21%	19%
Comparable store sales increase (decrease) n	**4%**	4%	3%	(3%)	5%
STORES AND ASSOCIATES AT END OF YEAR					
Number of stores	**3,779**	3,911	4,036	4,614	5,129
Selling square feet (thousands)	**15,801**	16,038	16,297	20,146	23,224
Number of associates	**115,300**	111,100	98,900	100,300	123,700

D As a result of its sale on November 27, 2002, New York & Company’s (formerly Lerner New York) operating results have been reflected as discontinued operations. Accordingly, New York & Company’s results are excluded for all periods presented (see Note 3 to the Consolidated Financial Statements).

☐ Includes the results of Lane Bryant through its disposition date of August 16, 2001.

« Fifty-three-week fiscal year.

¢ In 2004, income per basic and diluted share includes accretion of $0.13 and $0.12, respectively, related to share repurchases during the year (see Note 1 to the Consolidated Financial Statements).

· Operating income includes the effect of the following items:

1. In 2004, a $61 million non-cash charge to correct the Company’s accounting for straight-line rent and the depreciation and amortization of leasehold improvements and certain landlord allowances (see Note 1 to the Consolidated Financial Statements);

2. In 2002, a $34 million non-cash charge for vested stock awards related to the Intimate Brands, Inc. (“IBI”) recombination (see Note 4 to the Consolidated Financial Statements);

3. In 2001, a $170 million gain related to the sale of Lane Bryant;

4. In 2000, a $10 million charge to close Bath & Body Works’ nine stores in the United Kingdom.

* In 2004, dividends per share include a special dividend of $1.23 per share (see Note 1 to the Consolidated Financial Statements).

+ In addition to the items previously discussed in·, income includes the effect of the following pretax non-operating gains:

1. In 2004, $90 million related to New York & Company and $18 million related to Galyan’s Trading Company, Inc. (“Galyan’s”) (see Note 1 and Note 3 to the Consolidated Financial Statements);

2. In 2003, $208 million related to Alliance Data Systems Corporation (“ADS”) (see Note 1 to the Consolidated Financial Statements);

3. In 2002, $6 million related to Charming Shoppes, Inc. (see Note 1 to the Consolidated Financial Statements);

4. In 2001, $62 million related to ADS and Galyan’s.

n A store is typically 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

EXECUTIVE OVERVIEW

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

STRATEGY

During 2004, the Company focused on its core intimate apparel, personal care and beauty, and apparel brands as it continues its transformation from a multi-divisional apparel retailer to a high-value branded consumer packaged goods company. The Company also continued to focus on shareholder value, returning $3.8 billion to shareholders through share repurchases and dividends and increasing its quarterly dividend by 25% to $0.15 per share at the end of the year.

The Company is accelerating growth in its intimate apparel, personal care and beauty brands, while at the same time repositioning its apparel brands as full-priced businesses with disciplined promotional strategies. The Company is increasing its product innovation activity to support accelerated growth in future periods and intends to use its control of its channels of distribution to quickly transform new ideas into profitable growth. After a disappointing apparel performance in 2004, the Company has focused on improving the apparel brands' product assortments to ensure better fashion and more attractive price points.

To support this strategic focus, the Company continues to emphasize brands, talent and capability.

Brands

The Company's focus on innovation and speed to market provides the foundation for growth. The Company's enterprise-wide "creative team" has accelerated the transformation of ideas into new products, such as the Tutti Dolci product line at Bath & Body Works, while continuing to develop extensions of existing product lines to drive repeat purchases, most notably the expansion of the Henri Bendel Home Fragrance product line. In addition, the Company began testing two new standalone brand concepts during the year: C.O. Bigelow, focusing on upscale body care, face care, fragrances and beauty products; and Henri Bendel, bringing the brand's iconic New York heritage to personal care, beauty and lingerie. The Company also continued to see growth in new product introductions from prior years, most notably the Editor Pant at Express and the PINK sub-brand at Victoria's Secret, which has potential as a standalone brand concept.

Talent

One of the Company's key imperatives is to attract, develop and retain talent on a continuing basis. This talent pool is critical to the Company's ability to implement the strategies 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 in the future. The Company continued to expand its talent pool during the year, most notably through the addition of three key members to its executive team in January 2005. Jay Margolis, who has extensive experience with fashion businesses, has been hired to lead our apparel businesses and to assist in returning these brands to growing, profitable businesses. Martyn Redgrave, who has been responsible for acquisitions, joint ventures and transactions for other major corporations and has led significant enterprise level business transformations, will serve as the Company's new Chief Administrative Officer, bringing an enhanced level of stability and experience to the Company. Deborah Fine, who has significant experience in the development of new brands and businesses, will be responsible for leading the Company's efforts to develop the PINK sub-brand into a full lifestyle brand.

Capability

During the year, the Company accelerated its pursuit of enhanced capabilities, focusing on a number of strategic initiatives that will support future growth and provide returns to shareholders.

Disparate financial systems across the Company are being consolidated and will be supported by a new shared services center. Other operational systems, including the demand chain, merchandise planning and allocation, and customer information systems are also being redesigned. These changes are expected to improve operational efficiencies, allowing brands and corporate functions to spend more time on their strategic activities. In addition, new systems will enable increased speed to market, enhance the Company's ability to deliver customer-centric store assortments, and improve the Company's in-store capabilities.

In addition, the Company is developing plans to expand its direct response capabilities beyond Victoria's Secret to Bath & Body Works and Express, providing an important new channel for growth at these brands.

2004 RESULTS

The Company's operating results are generally impacted by changes in the overall U.S. economy, and therefore, management monitors the retail environment using, among other things, certain key industry performance indicators such as the University of Michigan Consumer Sentiment Index (which measures consumers' views on the future course of the U.S. economy), the National Retail Traffic Index (which measures traffic levels in approximately 190 malls nationwide) and National Retail Sales (which reflects sales volumes of 5,000 businesses as measured by the U.S. Census Bureau). These indices provide insight into consumer spending patterns and shopping behavior in the current retail environment and assist management in assessing the Company's performance as well as the potential impact of industry trends on its future operating results. Generally, the trends, as measured by these indicators, were positive for the Company in 2004.

For the year, the Company had generally good performance, with operating income up 24% through the third quarter. Fourth quarter results were mixed, with operating income down 2% driven by a poor fashion assortment primarily at Express. In addition, the Company, in consultation with its independent auditors, recorded a $61 million one-time charge in the fourth quarter to correct its accounting for straight-line rent and the depreciation and amortization of leasehold improvements and certain landlord allowances. These corrections do not impact the Company's historical or future cash flows or the timing of lease related payments. The impact on the Company's historical years' net income, earnings per share and shareholders' equity is immaterial. See the "Lease Related Accounting" section and Note 1 to the Consolidated Financial Statements for further discussion.

The following summarized financial data compares reported 2004 sales and operating income results to the comparable periods for 2003 and 2002:

				% CHANGE	
	2004	**2003**	**2002**	**2004-03**	**2003-02**
NET SALES (millions)					
Victoria's Secret Stores	**$3,113**	$2,822	$2,647	10%	7%
Victoria's Secret Direct	**1,119**	995	939	12%	6%
Total Victoria's Secret	**4,232**	3,817	3,586	11%	6%
Bath & Body Works	**2,169**	1,934	1,781	12%	9%
Express	**1,913**	2,071	2,073	(8%)	0%
Limited Stores	**577**	626	638	(8%)	(2%)
Total apparel businesses	**2,490**	2,697	2,711	(8%)	(1%)
Other ·	**517**	486	367	6%	32%
Total net sales	**$9,408**	$8,934	$8,445	5%	6%
OPERATING INCOME (millions)					
Victoria's Secret	**$ 799**	$ 711	$ 614	12%	16%
Bath & Body Works	**400**	355	300	13%	18%
Apparel	**16**	91	115	(82%)	(21%)
Other ·	**(188)**	(194)	(157)	3%	(24%)
Subtotal	**1,027**	963	872	7%	10%
Special item D	**—**	—	(34)	nm	nm
Total operating income	**$1,027**	$ 963	$ 838	7%	15%

· Other includes Corporate, Mast and Henri Bendel.

D In 2002, the special item represents a $34 million non-cash charge for vested stock awards related to the IBI recombination.

nm not meaningful

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following summarized financial data compares reported 2004 results to the comparable periods for 2003 and 2002:

COMPARABLE STORE SALES	2004	2003	2002
Victoria's Secret	**9%**	4%	6%
Bath & Body Works	**12%**	8%	(3%)
Express	**(8%)**	0%	2%
Limited Stores	**(5%)**	0%	7%
Total apparel businesses	**(7%)**	0%	3%
Henri Bendel	**9%**	8%	7%
Total comparable store sales	**4%**	4%	3%

STORE DATA		2004	2003	2002	% CHANGE 2004-03	% CHANGE 2003-02
Sales per average selling square foot	Victoria's Secret	**$ 648**	$ 600	$ 581	8%	3%
	Bath & Body Works	**$ 611**	$ 544	$ 507	12%	7%
	Apparel	**$ 331**	$ 342	$ 331	(3%)	3%
Sales per average store (thousands)	Victoria's Secret	**$3,097**	$2,789	$2,626	11%	6%
	Bath & Body Works	**$1,367**	$1,193	$1,095	15%	9%
	Apparel	**$1,989**	$2,013	$1,898	(1%)	6%
Average store size (selling square feet)	Victoria's Secret	**4,863**	4,693	4,599	4%	2%
	Bath & Body Works	**2,266**	2,208	2,177	3%	1%
	Apparel	**6,081**	5,957	5,811	2%	3%
Selling square feet (thousands)	Victoria's Secret	**4,868**	4,735	4,663	3%	2%
	Bath & Body Works	**3,556**	3,542	3,568	0%	(1%)
	Apparel	**7,340**	7,726	8,031	(5%)	(4%)

	VICTORIA'S SECRET			BATH & BODY WORKS			APPAREL		
NUMBER OF STORES D	2004	2003	2002	2004	2003	2002	2004	2003	2002
Beginning of year	**1,009**	1,014	1,002	**1,604**	1,639	1,615	**1,297**	1,382	1,474
Opened	**13**	10	33	**10**	6	51	**15**	8	22
Closed	**(21)**	(15)	(21)	**(45)**	(41)	(27)	**(105)**	(93)	(114)
End of year	**1,001**	1,009	1,014	1,569	1,604	1,639	1,207	1,297	1,382

D Excludes Henri Bendel store locations (2 in 2004 and 1 in 2003 and 2002).

NET SALES FOURTH QUARTER

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

NET SALES FOURTH QUARTER 2004 VS 2003 (millions) Increase (decrease)	**VICTORIA'S SECRET**	**BATH & BODY WORKS**	**APPAREL**	**OTHER**	**TOTAL**
2003 Net sales	$ 1,363	$ 900	$ 829	$ 139	$3,231
Comparable store sales	46	96	(98)	—	44
Sales associated with new, closed and non-comparable remodeled stores, net	26	10	(18)	—	18
Victoria's Secret Direct	35	—	—	—	35
2004 Net sales	$ 1,470	$ 1,006	$ 713	$ 139	$3,328

2004 COMPARED TO 2003

At Victoria's Secret, the 5% increase in comparable store sales was primarily driven by the new PINK sub-brand, and by continued growth in the bra category and the Beauty business, partially offset by declines in casual sleepwear. Sales increases in the bra category were driven by new introductions in the Very Sexy and Body by Victoria product lines. Growth in the Beauty business was primarily driven by the continued success of the Very Sexy for Her 2 fragrance, the recent introduction of the Basic Instinct fragrance and from an expanded color and hair care product offering. The 11% increase in net sales at Victoria's Secret Direct was driven by growth in almost all product categories, including woven separates, bras, knit tops and beauty and cosmetics.

At Bath & Body Works, the 12% increase in comparable store sales was driven by sales growth in the home fragrance and anti-bac product lines, as well as the successful launch of the Tutti Dolci product line. Sales increases were also supported by an increase in purchase-with-purchase promotions, as well as a one-week extension of the semi-annual sale.

At the apparel businesses, the 14% decrease in comparable store sales primarily resulted from significant declines at Express. Express continues to focus on repositioning the brand as a full-priced business, but the Fall season assortment did not meet the preferences of the Company's customers both in terms of fashion selection and price points, resulting in significant declines in women's casual clothing, particularly knit tops and denim, and in declines in men's sweaters and denim. These decreases were partially offset by increases in women's wear-to-work pants, driven by the continued success of the Editor pant. At Limited Stores, the 5% decrease in comparable store sales was primarily driven by significant declines in sweaters and knit tops.

The change in net sales for the fourth quarter of 2003 compared to 2002 was as follows:

NET SALES FOURTH QUARTER 2003 VS 2002 (millions) Increase (decrease)	**VICTORIA'S SECRET**	**BATH & BODY WORKS**	**APPAREL**	**OTHER**	**TOTAL**
2002 Net sales	$ 1,282	$ 777	$ 806	$ 101	$2,966
Comparable store sales	39	119	28	—	186
Sales associated with new, closed and non-comparable remodeled stores, net	14	4	(5)	—	13
Victoria's Secret Direct	28	—	—	—	28
Mast third-party sales and other	—	—	—	38	38
2003 Net sales	$ 1,363	$ 900	$ 829	$ 139	$3,231

2003 COMPARED TO 2002

At Victoria's Secret, the 4% increase in comparable store sales was driven by growth in the bra category, specifically the Angels and Very Sexy sub-brands, and the Beauty business driven by holiday gift sets, the launch of the Breathless fragrance and the promotion of the Garden product line. The 9% increase in net sales at Victoria's Secret Direct was driven by growth in the clothing category, particularly sweaters, outerwear and shoes.

At Bath & Body Works, the 16% increase in comparable store sales was primarily due to an improved holiday assortment and a larger post-Christmas semi-annual sale, with significant growth in the home fragrance and anti-bac categories as well as gift sets. The introduction of the Pure Simplicity product line also contributed to the improvement.

At the apparel businesses, the 4% increase in comparable store sales at Express was driven by growth in knit tops, woven pants and sweaters in the Women's business and woven shirts in the Men's business, partially offset by declines in the lingerie category. Comparable store sales at Limited Stores increased 5% driven primarily by sales growth in sweaters and casual pants, partially offset by the exit of the accessory category and declines in woven tops.

The net sales increase at Mast was primarily driven by sales to New York & Company (formerly Lerner New York), which became a third-party customer upon its disposition in November 2002.

NET SALES

FULL YEAR

The change in net sales for 2004 compared to 2003 was as follows:

NET SALES 2004 VS 2003 (millions) Increase (decrease)	**VICTORIA'S SECRET**	**BATH & BODY WORKS**	**APPAREL**	**OTHER**	**TOTAL**
2003 Net sales	$ 3,817	$ 1,934	$ 2,697	$ 486	$8,934
Comparable store sales	229	218	(157)	—	290
Sales associated with new, closed and non-comparable remodeled stores, net	62	17	(50)	—	29
Victoria's Secret Direct	124	—	—	—	124
Mast third-party sales and other	—	—	—	31	31
2004 Net sales	$ 4,232	$ 2,169	$ 2,490	$ 517	$9,408

2004 COMPARED TO 2003

At Victoria's Secret, the 9% increase in comparable store sales was primarily driven by incremental sales from the July 2004 national launch of the PINK sub-brand, by continued growth in the bra category and by the success of the Very Sexy for Her 2 and Basic Instinct fragrances at the Beauty business, partially offset by declines in casual sleepwear. The 12% increase in net sales at Victoria's Secret Direct was driven by growth in swimwear, woven separates, bras and knit tops.

At Bath & Body Works, the 12% increase in comparable store sales was primarily driven by continued sales growth in the home fragrance, anti-bac and Daily Beauty Rituals product lines, as well as the successful launch of the Tutti Dolci product line. Sales increases were also supported by successful semi-annual sales during both the Spring and Fall seasons.

At the apparel businesses, the 8% decrease in comparable store sales at Express was driven by significant declines in almost all of the women's categories, primarily related to the poor performance of the Fall season product assortment discussed previously. These declines were partially offset by increases in the women's wear-to-work category, particularly the Editor pant. At Limited Stores, the 5% decrease in comparable store sales was primarily driven by declines in sweaters and knit tops and by the exit of the dress category, partially offset by increases in pants and woven tops.

The change in net sales for 2003 compared to 2002 was as follows:

NET SALES 2003 vs 2002 (millions) Increase (decrease)	**VICTORIA'S SECRET**	**BATH & BODY WORKS**	**APPAREL**	**OTHER**	**TOTAL**
2002 Net sales	$ 3,586	$ 1,781	$ 2,711	$ 367	$8,445
Comparable store sales	103	135	3	—	241
Sales associated with new, closed and non-comparable remodeled stores, net	72	18	(17)	—	73
Victoria's Secret Direct	56	—	—	—	56
Mast third-party sales and other	—	—	—	119	119
2003 Net sales	$ 3,817	$ 1,934	$ 2,697	$ 486	$8,934

2003 COMPARED TO 2002

At Victoria's Secret, the 4% increase in comparable store sales was primarily driven by growth in the bra and panty categories, the PINK sub-brand and the Beauty business, partially offset by declines in sleepwear. The 6% increase in net sales at Victoria's Secret Direct was driven by sales increases in the clothing, accessory and panty categories.

At Bath & Body Works, the 8% increase in comparable store sales was primarily driven by the home fragrance category, the True Blue Spa product line and gift sets. The introduction of the Pure Simplicity product line also contributed to the improvement.

At the apparel businesses, the slight decrease in net sales was driven by the net decrease in sales associated with closed, new and non-comparable remodeled stores of $17 million. Comparable store sales were flat for the year at both Express and Limited Stores. In addition, the Company changed the promotional cadence at the apparel businesses, shifting from store-wide percentage-off direct mail and coupon activity to key item promotions and quarterly clearance sales.

The net sales increase at Mast was primarily driven by sales to New York & Company, which became a third-party customer upon its disposition in November 2002.

GROSS INCOME FOURTH QUARTER

2004 COMPARED TO 2003

For the fourth quarter of 2004, the gross income rate (expressed as a percentage of net sales) decreased to 38.8% from 41.5% in 2003, as the previously discussed fourth quarter 2004 lease related accounting charge drove an increase in the buying and occupancy rate across the enterprise.

At Victoria's Secret, the gross income rate decreased due to the buying and occupancy expense rate increase, partially offset by an increase in the merchandise margin rate. The increase in the merchandise margin rate was driven by lower markdowns in the sleepwear and panty categories, partially offset by lower margins at the Beauty business, which were driven by incremental sales from the expansion of the lower margin hair care and color product lines. Excluding the impact of the lease related accounting charge, buying and occupancy expense was leveraged on a 5% increase in comparable store sales.

At Bath & Body Works, the gross income rate decreased due to a decrease in the merchandise margin rate and an increase in the buying and occupancy expense rate. The decrease in the merchandise margin rate is primarily the result of an increase in markdowns to clear gift set inventories and an increase in purchase-with-purchase promotions. In addition, a change in product mix from higher margin Daily Beauty Rituals products to lower margin home fragrance products contributed to the rate decline. Excluding the impact of the lease related accounting charge, buying and occupancy expense was leveraged on a 12% increase in comparable store sales.

At the apparel businesses, the gross income rate decreased from last year due to a decrease in the merchandise margin rate and an increase in the buying and occupancy expense rate at both Express and Limited Stores. The decrease in the merchandise margin rate was driven by higher markdowns for all significant product categories to clear slow-moving inventories related to the poor performance of the Fall product assortment discussed previously. The increase in the buying and occupancy expense rate resulted from the fourth quarter 2004 lease related accounting charge and the inability to leverage expenses due to a 14% decline in comparable store sales.

2003 COMPARED TO 2002

For the fourth quarter of 2003, the gross income rate decreased to 41.5% from 41.6% in 2002. The rate decrease was primarily driven by declines at Bath & Body Works and Victoria's Secret, partially offset by improvement at the apparel businesses. The decrease in the gross income rate at Victoria's Secret was primarily the result of a decrease in the merchandise margin rate driven by higher markdowns particularly in the sleepwear and panty categories.

At Bath & Body Works, the gross income rate decreased due to a decline in the merchandise margin rate partially offset by a decrease in the buying and occupancy expense rate. The decrease in the merchandise margin rate is primarily the result of higher markdowns resulting from a larger semi-annual sale compared to 2002, as well as a shift in product mix to lower margin gift sets and home fragrance products. The decrease in the buying and occupancy expense rate was driven by expense leverage achieved on a comparable store sales increase of 16%.

At the apparel businesses, the gross income rate increased compared to 2002 due to a decrease in the buying and occupancy expense rate and an increase in the merchandise margin rate. The decrease in the buying and occupancy expense rate resulted from the ability to leverage expenses on a comparable store sales increase of 4%. The increase in the merchandise margin rate was primarily driven by lower markdowns.

GROSS INCOME FULL YEAR

2004 COMPARED TO 2003

In 2004, the gross income rate declined to 35.9% from 36.4% as a result of the fourth quarter lease related accounting charge previously discussed and merchandise margin declines at Bath & Body Works and the apparel businesses.

At Victoria's Secret, the gross income rate was flat as an increase in the merchandise margin rate was offset by an increase in the buying and occupancy expense rate related to the fourth quarter lease related accounting charge discussed previously. The increase in the merchandise margin rate was driven by lower markdowns in the sleepwear and panty categories, an increase in margins for the bra category, and improved performance for almost all categories at Victoria's Secret Direct, including swimwear, woven separates, knit tops, bras, shoes and accessories. These increases were partially offset by lower margins at the Beauty business, which were driven by incremental sales from the expansion of the lower margin hair care and color product lines.

At Bath & Body Works, the gross income rate decreased due to a decline in the merchandise margin rate partially offset by a decrease in the buying and occupancy expense rate. The decrease in the merchandise margin rate was primarily driven by the fourth quarter results previously described. The decrease in the buying and occupancy expense rate resulted from leverage achieved on a comparable store sales increase of 12%, partially offset by the fourth quarter lease related accounting charge discussed previously.

At the apparel businesses, the gross income rate decreased over last year due to a decline in the merchandise margin rate and an increase in the buying and occupancy expense rate, both of which were driven by the fourth quarter results discussed previously.

2003 COMPARED TO 2002

In 2003, the gross income rate decreased to 36.4% from 36.6% in 2002. The decrease in the gross income rate was due to a decline in the merchandise margin rate at Bath & Body Works, Express and Mast, partially offset by a decrease in the buying and occupancy expense rate at Victoria's Secret and Bath & Body Works.

At Victoria's Secret, the gross income rate increased primarily due to the ability to leverage buying and occupancy expenses on a comparable store sales increase of 4%. The merchandise margin rate was flat for the year.

At Bath & Body Works, the gross income rate increased slightly as the decrease in the buying and occupancy expense rate resulting from leverage on a comparable store sales increase of 8% was partially offset by higher markdowns, particularly in the fourth quarter as previously described.

At Express, the gross income rate decreased primarily due to higher promotional activity and markdowns related to a weak assortment, and the inability to leverage buying and occupancy expenses on comparable store sales that were flat to 2002. The decrease in the gross income rate at Mast was driven primarily by a decrease in joint venture income resulting from the sale of certain joint ventures and transition costs associated with the home office relocation to Columbus, Ohio from Andover, Massachusetts.

GENERAL, ADMINISTRATIVE AND STORE OPERATING EXPENSES FOURTH QUARTER

2004 COMPARED TO 2003

For the fourth quarter of 2004, the general, administrative and store operating expense rate (expressed as a percentage of net sales) improved to 19.9% from 21.7% last year, primarily driven by an improvement at Bath & Body Works, the apparel brands and corporate functions. The improvement was due to the ability to leverage store selling expenses at Bath & Body Works, Express and Limited Stores, and by decreases in marketing and incentive compensation expenses across the Company. This improvement was partially offset by increased spending on technology and process initiatives.

2003 COMPARED TO 2002

For the fourth quarter of 2003, the general, administrative and store operating expense rate decreased to 21.7% from 21.8% in 2002. Decreases in the general, administrative and store operating expense rate at Bath & Body Works and Victoria's Secret, driven by the ability to leverage expenses on comparable store sales increases of 16% and 4%, respectively, were substantially offset by an overall increase in incentive compensation and an accrual for litigation.

GENERAL, ADMINISTRATIVE AND STORE OPERATING EXPENSES FULL YEAR

2004 COMPARED TO 2003

In 2004, the general, administrative and store operating expense rate improved to 25.0% from 25.6% in 2003. This improvement was driven by the ability to leverage store selling expenses across all retail segments, partially offset by increased spending on technology and process initiatives.

2003 COMPARED TO 2002

In 2003, the general, administrative and store operating expense rate decreased to 25.6% from 26.3% in 2002. The decrease in the general, administrative and store operating expense rate was primarily driven by the ability to leverage expenses on comparable store sales increases of 8% at Bath & Body Works and 4% at Victoria's Secret. The general, administrative and store operating expense rate at the apparel businesses was about flat for the year.

SPECIAL ITEM

During the first quarter of 2002, in connection with the acquisition of the Intimate Brands, Inc. ("IBI") minority interest (see Note 2 to the Consolidated Financial Statements), vested IBI stock options and restricted stock were exchanged for Limited Brands stock awards with substantially similar terms. In accordance with Emerging Issues Task Force Issue No. 00-23, "Issues Related to the Accounting for Stock Compensation under APB Opinion No. 25 and FASB Interpretation No. 44," the exchange was accounted for as a modification of a stock-based compensation arrangement. As a result, the Company recorded a pretax, non-cash charge of $34 million in the first quarter of 2002.

INTEREST EXPENSE

The average daily borrowings and average borrowing rates for the fourth quarters and years ended January 29, 2005, January 31, 2004 and February 1, 2003 were as follows:

	2004	2003	2002
FOURTH QUARTER (millions)			
Average daily borrowings	**$1,474**	$650	$451
Average borrowing rate	**5.6%**	6.6%	7.0%
YEAR (millions)			
Average daily borrowings	**$ 863**	$675	$342
Average borrowing rate	**6.1%**	6.6%	7.4%

In 2004, the Company incurred interest expense of $21 million and $58 million for the fourth quarter and the year, respectively, compared to $12 million and $62 million for the same periods in 2003. The increase for the fourth quarter is primarily due to additional debt issued in conjunction with the Company's $2 billion tender offer and $500 million special dividend in December 2004. The decrease for the year relates to $13 million of expense in 2003 associated with the early retirement of the Company's $250 million 7.5% debentures due in 2023, partially offset by an increase in average borrowings.

In 2003, the Company incurred interest expense of $12 million and $62 million for the fourth quarter and the year, respectively, compared to $8 million and $30 million for the same periods in 2002. The increases were primarily due to an increase in average daily borrowings, partially offset by a decrease in average borrowing rates. In addition, interest expense in 2003 included $13 million associated with the retirement of the Company's $250 million 7.5% debentures due in 2023, which included the payment of a call premium and the write-off of unamortized discounts and fees.

INTEREST INCOME

In 2004, interest income decreased to $7 million and $30 million for the fourth quarter and the year, respectively, compared to $9 million and $63 million for the same periods in 2003. The decrease in the fourth quarter is primarily due to a decrease in average invested cash balances, partially offset by an increase in average effective interest rates. The decrease for the year primarily relates to an interest refund of $30 million received in 2003 related to a tax settlement (see Note 9 to the Consolidated Financial Statements).

In 2003, interest income was $9 million and $63 million for the fourth quarter and the year, respectively, compared to $9 million and $29 million for the same periods in 2002. The full year increase primarily relates to the $30 million interest refund from the fourth quarter tax settlement discussed previously.

OTHER INCOME (LOSS)

In 2004, other income (loss) increased to $4 million and $99 million for the fourth quarter and the year, respectively, compared to ($4) million and ($6) million for the same periods in 2003. The fourth quarter increase primarily relates to losses from unconsolidated entities in 2003. The full year increase primarily relates to gains of $90 million related to the early collection of the New York & Company note receivable, New York & Company's purchase of its warrants held by the Company and additional proceeds from the New York & Company initial public offering (see Note 3 to the Consolidated Financial Statements).

GAINS ON INVESTEES' STOCK

During the second quarter of 2004, the Company sold its remaining ownership interest in Galyan's Trading Company, Inc. ("Galyan's") for $65 million, resulting in a pretax gain of $18 million. Prior to the sale of Galyan's shares, the Company accounted for its investment using the equity method.

During the first quarter of 2003, the Company sold approximately one-half of its ownership interest in Alliance Data Systems Corporation ("ADS") for $131 million resulting in a pretax gain of $80 million. During the third quarter of 2003, the Company sold its remaining ownership interest in ADS for $193 million resulting in a pretax gain of $128 million. Prior to these sales of ADS shares, the Company accounted for its investment using the equity method.

During the third quarter of 2002, the Company recognized a pretax gain of $6 million resulting from the sale of its Charming Shoppes, Inc. common stock for $65 million. The stock was received in connection with the Company's sale of Lane Bryant during the third quarter of 2001.

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, 2003 and 2002. Specifically, certain non-operating items and the IBI recombination do not relate to the core performance of the Company's business. Accordingly, to improve comparability, the following table adjusts net income for such transactions and events in determining the adjusted results, and reconciles the adjusted results to net income reported in accordance with U.S. generally accepted accounting principles.

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

ADJUSTED INCOME INFORMATION (millions except per share amounts)

	2004			2003			2002		
	REPORTED	**ADJUSTMENTS**	**ADJUSTED**	**REPORTED**	**ADJUSTMENTS**	**ADJUSTED**	**REPORTED**	**ADJUSTMENTS**	**ADJUSTED**
Net sales	**$ 9,408**	**—**	**$ 9,408**	$ 8,934	—	$ 8,934	$ 8,445	—	$ 8,445
Gross income	***3,378***	**—**	*3,378*	*3,251*	—	*3,251*	*3,094*	—	*3,094*
General, administrative and store operating expenses	**(2,351)**		**(2,351)**	(2,288)	—	(2,288)	(2,222)	—	(2,222)
Special item	**—**	**—**	**—**	—	—	—	(34)	D$34	—
Operating income	**1,027**	**—**	**1,027**	963	—	963	838	34	872
Interest expense	**(58)**	**—**	**(58)**	(62)	—	(62)	(30)	—	(30)
Interest income	**30**	**—**	**30**	63	—	63	29	*6	35
Other income (loss)	**99**	**n($90)**	**9**	(6)	—	(6)	—	—	—
Minority interest	**—**	**—**	**—**	—	—	—	(6)	☐6	—
Gains on investees' stock	**18**	**•(18)**	**—**	208	•($208)	—	6	•(6)	—
Income from continuing operations before income taxes	***1,116***	***(108)***	***1,008***	*1,166*	*(208)*	*958*	*837*	*40*	*877*
Provision for income taxes	**411**	**(40)**	**371**	449	(75)	374	341	8	349
Income from continuing operations	***705***	***(68)***	***637***	*717*	*(133)*	*584*	*496*	*32*	*528*
Income from discontinued operations (including loss on disposal of $4 million in 2002), net of tax	**—**	**—**	**—**	—	—	—	6	*(6)	—
Net income	***$ 705***	***($68)***	***$637***	*$ 717*	*($ 133)*	*$ 584*	*$ 502*	*$ 26*	*$ 528*
Income per diluted share:									
Continuing operations	**$ 1.47**		**$ 1.33**	$ 1.36		$ 1.11	$ 0.95		$ 0.99
Discontinued operations	**—**		**—**	—		—	0.01		—
Net income per diluted share	***$ 1.47***		***$ 1.33***	*$ 1.36*		*$ 1.11*	*$ 0.96*		*$ 0.99*
Weighted average shares outstanding	***479***		***479***	526		526	522	☐11	533

n In 2004, the Company recognized a $45 million gain resulting from the early collection of a long-term note receivable and the sale of New York & Company warrants held by the Company and a $45 million gain resulting from the initial public offering of New York & Company (see Note 3 to the Consolidated Financial Statements).

• The gains on investees' stock were as follows (see Note 1 to the Consolidated Financial Statements):

1. In 2004, $18 million resulting from the sale of the Company's remaining ownership interest in Galyan's;
2. In 2003, $208 million resulting from the sale of the Company's investment in ADS;
3. In 2002, $6 million resulting from the sale of Charming Shoppes, Inc. common stock.

D In 2002, the special item represents a $34 million non-cash charge for vested stock awards related to the IBI recombination (see Note 4 to the Consolidated Financial Statements).

* As a result of its sale on November 27, 2002, New York & Company results have been reflected in discontinued operations and were excluded in determining adjusted results for 2002. In addition, the adjusted results reflect the addition of interest income (at 10% per annum) which would have been earned on the $75 million note received from New York & Company in connection with the sale (see Note 3 to the Consolidated Financial Statements).

☐ On March 21, 2002, the Company completed a tender offer and merger that resulted in the acquisition of the IBI minority interest. The adjusted results: (1) eliminate the minority interest in earnings of IBI and (2) increase total weighted average Class A common stock outstanding, using the exchange rate of 1.1 shares of Limited Brands common stock for each share of IBI Class A common stock (see Note 2 to the Consolidated Financial Statements).

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 has not issued commercial paper or drawn on its credit facility during the three years ended January 29, 2005. 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 as of January 29, 2005, January 31, 2004 and February 1, 2003 was as follows:

WORKING CAPITAL POSITION AND CAPITALIZATION (millions)	**2004**	**2003**	**2002**
Cash provided by operating activities	**$ 933**	$1,063	$ 795
Working capital	**$1,233**	$3,045	$2,347
Capitalization:			
Long-term debt	**$1,646**	$ 648	$ 547
Shareholders' equity	**2,335**	5,266	4,860
Total capitalization	***$3,981***	*$5,914*	*$5,407*
Additional amounts available under long-term credit agreements	**$1,000**	$1,250	$1,250

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

LIQUIDITY AND CAPITAL RESOURCES	**2004**	**2003**	**2002**
Debt-to-equity ratio (long-term debt divided by shareholders' equity)	**70%**	12%	11%
Debt-to-capitalization ratio (long-term debt divided by total capitalization)	**41%**	11%	10%
Cash flow to capital investment (net cash provided by operating activities divided by capital expenditures)	**216%**	363%	260%

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, accounted for approximately one-third of net sales in 2004, 2003 and 2002. 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.

OPERATING ACTIVITIES

In 2004, the decrease in net cash provided by operating activities was primarily driven by an increase in inventory and a decrease in income taxes payable, partially offset by an increase in accounts payable and accrued expenses. At year-end 2004, inventory levels and accounts payable were higher to support new product launches at Bath & Body Works and Victoria's Secret. The decrease in income taxes payable resulted from an increase in tax payments compared to 2003. The increase in accrued expenses resulted from an increase in deferred revenue related to gift card sales.

In 2003, the increase in net cash provided by operating activities was primarily driven by a decrease in inventory and an increase in income taxes payable. In 2003, inventory levels were reduced as a result of successful end-of-season clearance sales at all brands resulting in an overall decrease in inventory per selling square foot of 2% at January 31, 2004. The increase in income taxes payable in 2003 is primarily due to an increase in fourth quarter pretax income compared to 2002.

INVESTING ACTIVITIES

In 2004, investing activities primarily included $431 million in capital expenditures (see "Capital Expenditures" section) and a $27 million investment in a personal care products business. These cash outflows were partially offset by cash proceeds of $141 million from the early collection of a New York & Company long-term note receivable and the sale of New York & Company warrants held by the Company, $65 million from the sale of the Company's remaining ownership interest in Galyan's and $25 million related to non-operating real estate investments.

In 2003, investing activities primarily included cash proceeds of $324 million from the sale of the Company's investment in ADS, partially offset by $293 million in capital expenditures.

In 2002, investing activities included $306 million in capital expenditures and cash inflows of $79 million from the sale of New York & Company, $65 million from the sale of Charming Shoppes, Inc. common stock, $34 million from the sale of joint ventures, $18 million related to non-operating real estate investments and $30 million primarily related to the collection of a long-term note receivable.

FINANCING ACTIVITIES

In 2004, the Company repurchased 125 million shares of common stock for $3.1 billion, at an average price of $24.92 per share. Specifically, the Company repurchased (1) 69.0 million shares of common stock for $2 billion through the Company's modified Dutch Auction tender offer in December 2004, (2) 50.6 million shares of common stock for $1 billion through the Company's modified Dutch Auction tender offer in April 2004 and (3) 5.8 million shares of common stock for $115 million related to the Company's share repurchase programs. Financing activities also included dividend payments of $500 million for the Company's fourth quarter special dividend, and $0.48 per share or $224 million for the Company's quarterly dividends. These uses of cash were partially offset by (1) $498 million in net proceeds related to the issuance of the Company's $500 million 5.25% notes due 2014, (2) $500 million in proceeds related to the Company's term loan agreement (the "Term Loan") that became effective in November 2004 and (3) $166 million in proceeds primarily from the exercise of stock options.

In 2003, financing activities included the redemption of $250 million in debentures, dividend payments of $0.40 per share or $208 million and the repurchase of 9.9 million shares of common stock for $150 million, partially offset by the issuance of $350 million in long-term debt.

In 2002, financing activities included $300 million in proceeds from the issuance of long-term debt and $55 million in proceeds primarily from the exercise of stock options, offset by the repayment of $150 million of long-term debt and dividend payments of $0.30 per share or $150 million.

The Company has available a $1 billion unsecured revolving credit facility (the "Facility"), none of which was used as of January 29, 2005. The Facility is available to support the Company's commercial paper and letter of credit programs, which may be used from time to time to fund working capital and other general corporate requirements. Borrowings outstanding under the Facility, if any, are due in November 2009. Fees payable under the Facility are based on the Company's long-term credit ratings, and are currently 0.15% of the committed amount per year.

The Facility and the Term Loan have several interest rate options, which are based in part on the Company's long-term credit ratings. The interest rate on the Term Loan was 3.39% at January 29, 2005. These agreements also require the Company to maintain certain specified fixed charge and debt-to-earnings ratios and prohibit certain types of liens on property or assets. The Company was in compliance with the covenant requirements as of January 29, 2005.

The principal amount outstanding under the Term Loan is due in quarterly installments of $25 million from March 2007 to December 2008 and $75 million from March 2009 to December 2009. The Company continually evaluates its capital needs, financial condition, operating strategies and possible uses of its cash. Accordingly, on February 24, 2005, the Company's Board of Directors authorized the repurchase of up to $100 million of the Company's outstanding common stock. Through March 23, 2005, 1.1 million shares have been repurchased under this program for $26.8 million, at an average price of $24.36 per share.

In addition, on February 24, 2005, the Company announced that its quarterly dividend will increase 25% to $0.15 per share from $0.12 per share in 2004.

STORES AND SELLING SQUARE FEET

A summary of stores and selling square feet by business follows:

		END OF YEAR			CHANGE	
		D PLAN 2005	2004	2003	2005 VS. 2004	2004 VS. 2003
Victoria's Secret Stores	Stores	995	**1,001**	1,009	(6)	(8)
	Selling square feet	4,956,000	**4,868,000**	4,735,000	88,000	133,000
Bath & Body Works	Stores	1,541	**1,569**	1,604	(28)	(35)
	Selling square feet	3,532,000	**3,556,000**	3,542,000	(24,000)	14,000
Express Women's	Stores	402	**468**	562	(66)	(94)
	Selling square feet	2,480,000	**2,888,000**	3,503,000	(408,000)	(615,000)
Express Men's	Stores	168	**223**	290	(55)	(67)
	Selling square feet	685,000	**904,000**	1,179,000	(219,000)	(275,000)
Express Dual Gender	Stores	245	**193**	104	52	89
	Selling square feet	1,954,000	**1,600,000**	944,000	354,000	656,000
Total Express	*Stores*	*815*	***884***	*956*	*(69)*	*(72)*
	Selling square feet	*5,119,000*	***5,392,000***	*5,626,000*	*(273,000)*	*(234,000)*
Limited Stores	Stores	280	**323**	341	(43)	(18)
	Selling square feet	1,654,000	**1,948,000**	2,100,000	(294,000)	(152,000)
Total apparel businesses	*Stores*	*1,095*	***1,207***	*1,297*	*(112)*	*(90)*
	Selling square feet	*6,773,000*	***7,340,000***	*7,726,000*	*(567,000)*	*(386,000)*
Henri Bendel	Stores	2	**2**	1	—	1
	Selling square feet	37,000	**37,000**	35,000	—	2,000
Total retail businesses	*Stores*	*3,633*	***3,779***	*3,911*	*(146)*	*(132)*
	Selling square feet	*15,298,000*	***15,801,000***	*16,038,000*	*(503,000)*	*(237,000)*

D Data for stores and selling square feet for 2005 represents the Company's best estimate as of January 29, 2005, and is subject to the risks related to forward-looking statements outlined in the Company's Safe Harbor Statement.

CAPITAL EXPENDITURES

Capital expenditures amounted to $431 million, $293 million and $306 million for 2004, 2003 and 2002, of which $381 million, $230 million and $259 million were for new stores and for the remodeling of and improvements to existing stores. Remaining capital expenditures were primarily related to information technology.

The Company anticipates spending approximately $600 million for capital expenditures in 2005, the majority of which relates to the remodeling of and improvements to existing stores and to new financial and operational systems. The anticipated increase in capital spending in 2005 is primarily driven by an increase related to the Company's efforts to centralize and upgrade systems and capabilities in the areas of finance, customer relationship marketing, merchandise planning and allocation, and demand chain. The Company expects that 2005 capital expenditures will be funded principally by net cash provided by operating activities.

EASTON INVESTMENT

The Company has land and other investments in Easton, a 1,300 acre planned community in Columbus, Ohio, that integrates office, hotel, retail, residential and recreational space. These investments, at cost, totaled $57 million at January 29, 2005 and $68 million at January 31, 2004.

Included in the Company's Easton investments is an equity interest in Easton Town Center, LLC ("ETC"), an entity that owns and has developed a commercial entertainment and shopping center. The Company's investment in ETC was $14 million at January 29, 2005 and $13 million at January 31, 2004, which the Company accounts for using the equity method. The Company has a majority financial interest in ETC, but another member that is unaffiliated with the Company is the managing member. Certain significant decisions regarding ETC require the consent of the unaffiliated members in addition to the Company.

Total assets of ETC were approximately $238 million as of January 29, 2005 and $234 million as of January 31, 2004. ETC's principal funding source is a $210 million secured bank loan, all of which was outstanding at January 29, 2005. The loan is payable in full on January 28, 2006, with the option of two 12-month extensions if certain requirements are met. The Company has guaranteed $25 million of the principal of this loan. If ETC does not meet the debt service coverage ratio or appraised property values required by covenants in the loan agreement, the Company has the option to (1) guarantee an additional amount of the loan, (2) provide an irrevocable letter of credit on behalf of ETC, (3) make a principal payment or (4) lease additional retail space. Otherwise, the bank may call the loan under the agreement's default provisions. The Company expects that ETC will meet the financial covenants of this loan.

CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS

In connection with the disposition of certain businesses, the Company has remaining guarantees of approximately $370 million related to lease payments of Abercrombie & Fitch, Too, Inc. (formerly Limited Too), Dick's Sporting Goods (formerly Galyan's), Lane Bryant and New York & Company under the current terms of noncancelable leases expiring at various dates through 2015 (see Note 7 to the Consolidated Financial Statements). These guarantees include minimum rent and additional payments covering taxes, common area costs and certain other expenses, and relate to leases that commenced prior to the disposition of the businesses. 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. Contingent liabilities also include the $25 million guarantee related to ETC as previously discussed.

The following table includes aggregated information about the Company's contractual obligations. These contractual obligations impact the Company's short and long-term liquidity and capital resource needs. The table includes information about payments due under specified contractual obligations, aggregated by type of contractual obligation, including the maturity profile of the Company's long-term debt, operating leases and other long-term liabilities as of January 29, 2005.

CONTRACTUAL OBLIGATIONS (millions)	PAYMENTS DUE BY PERIOD					
	TOTAL	LESS THAN 1 YEAR	1–3 YEARS	4–5 YEARS	MORE THAN 5 YEARS	OTHER
Long-term debt obligations n	**$2,815**	$ 64	$ 273	$ 559	$ 1,919	—
Operating lease obligationsD	**3,253**	547	919	692	1,095	—
Purchase obligations·	**1,334**	1,114	158	53	9	—
Other long-term liabilities *	**145**	—	—	—	—	$ 145
*Total**	***$7,547***	*$ 1,725*	*$1,350*	*$1,304*	*$ 3,023*	*$ 145*

n Long-term debt obligations relate to principal and interest payments for the Company's outstanding notes, debentures and Term Loan (see Note 10 to the Consolidated Financial Statements). Interest payments have been estimated based on the coupon rate for fixed rate obligations or the variable rate in effect at January 29, 2005 for the Term Loan. Interest obligations exclude amounts which have been accrued through January 29, 2005.

D Operating lease obligations primarily relate to minimum payments due under store lease agreements (see Note 7 to the Consolidated Financial Statements).

· Purchase obligations primarily include purchase orders for merchandise inventory and other agreements to purchase goods or services that are enforceable and legally binding and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transactions.

* Other long-term liabilities reflect future payments relating to the Company's nonqualified supplemental retirement plan and have been reflected under "Other" as the timing of these future payments is not known until an associate leaves the Company or otherwise requests an in-service distribution (see Note 12 to the Consolidated Financial Statements).

LEASE RELATED ACCOUNTING

Like other companies in the retail industry, the Company, in consultation with its independent auditors, has concluded that its previous accounting practices related to the accounting for straight-line rent and the depreciation and amortization of leasehold improvements and certain landlord allowances were not correct. Accordingly in the fourth quarter of 2004, the Company recorded a one-time pretax charge of $61 million, which is included in cost of goods sold, buying and occupancy in the Consolidated Statements of Income, to reflect the corrections more fully described below (see Note 1 to the Consolidated Financial Statements).

Historically, the Company recognized straight-line rent expense for leases beginning on the earlier of the store opening date or lease commencement date, resulting in the exclusion of the store build-out period ("Rent Holiday") from the period over which it amortizes its rent expense. In the fourth quarter of 2004, the Company adjusted its straight-line rent accrual for all applicable leases to reflect the recognition of rent expense over a period that includes the Rent Holiday period, resulting in cumulative additional rent expense of $31 million.

In addition, the Company had previously depreciated leasehold improvements over a period of up to 10 years, which, primarily due to store remodeling activity, resulted in certain leasehold improvements being depreciated over a period beyond the contractual lease term. In the fourth quarter of 2004, the Company adjusted the net book value of its leasehold improvements to reflect useful lives equal to the lesser of the estimated useful lives of the assets, or the contractual term of the lease, resulting in cumulative additional depreciation expense of $39 million. In addition, the Company had previously amortized certain landlord allowances beyond the contractual lease term. The Company adjusted these landlord allowances to reflect amortization over the contractual term of the lease, resulting in a cumulative reduction in rent expense of $9 million.

The Company evaluated the impact of these revised accounting practices from a quantitative and qualitative perspective. From a quantitative perspective, had the revised accounting practices been applied retroactively, reported pretax income from continuing operations would have increased by $7 million and $1 million in 2004 and 2003, respectively, and would have decreased by $2 million in 2002. Additionally, these corrections do not impact the Company's historical or future cash flows or the timing of lease related payments. From a qualitative perspective, the retroactive application of these revised accounting practices would not have had a significant impact on earnings trends, individual segment results, earnings expectations or debt covenants or other contractual requirements. Based on this evaluation, the Company concluded that a restatement of prior period results was not required as the impact of these corrections is not material to the Company's historical results or cashflows.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In December 2004, the Financial Accounting Standards Board issued SFAS No. 123R, "Share-Based Payment" ("SFAS No. 123R"), which replaces SFAS No. 123 "Accounting for Stock-Based Compensation" ("SFAS No. 123") and supersedes APB Opinion No. 25. SFAS No. 123R requires all share-based payments to employees, including grants of employee stock options, to be measured at their fair values at the date of grant and recognized as expense over the service period, which is generally the vesting period. SFAS No. 123R is effective for the first interim period beginning after June 15, 2005, which, for the Company, will be the third quarter of 2005. SFAS No. 123R provides two alternatives for adoption: (1) a "modified prospective" method in which compensation cost is recognized for all awards granted subsequent to the effective date of this statement as well as for the unvested portion of awards outstanding as of the effective date; or (2) a "modified retrospective" method which follows the approach in the "modified prospective" method, but also permits entities to restate prior periods to record compensation cost calculated under SFAS No. 123 for the pro forma disclosure. The Company has not yet determined which method of adoption it will apply.

The adoption of SFAS No. 123R is expected to have a significant impact on the Company's results of operations, although it will have no impact on the Company's overall financial position. The impact of adopting SFAS No. 123R cannot be accurately estimated at this time, as it will depend on the market value and the amount of share-based awards granted in future periods. However, had the Company adopted SFAS No. 123R in a prior period, the impact would approximate the impact of SFAS No. 123 as described in the disclosure of pro forma net income and earnings per share in Note 1 to the Consolidated Financial Statements.

MARKET RISK

Management believes the Company's exposure to interest rate and market risk associated with financial instruments (such as investments and borrowings) is not material.

IMPACT OF INFLATION

The Company's results of operations and financial condition are presented based on historical cost. While it is difficult to measure accurately 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 ongoing 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 its critical accounting policies and estimates with the Audit Committee of its Board of Directors and believes the following assumptions and estimates are most significant to reporting its results of operations and financial position.

INVENTORIES

Inventories are principally 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 and Fall 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. When a decision has been made to dispose of property and equipment prior to the end of the previously estimated useful life, depreciation estimates are revised to reflect the use of the asset over the shortened estimated useful life. Intangible assets not subject to amortization 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, intangible assets 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, 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 Consolidated 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.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

The Company cautions that any forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) contained in this report or made by 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 2005 and beyond to differ materially from those expressed or implied in any forward-looking statements included in this report or otherwise made by the Company or management: changes in consumer spending patterns, consumer preferences and overall economic conditions; the potential impact of national and international security concerns on the retail environment, including any possible military action, terrorist attacks or other hostilities; our ability to service our debt, any debt we draw down under our credit facilities, and any other debt we incur, and the restrictions the agreements related to such debt impose upon us; the impact of competition and pricing; changes in weather patterns; political stability; postal rate increases and charges; paper and printing costs; risks associated with the seasonality of the retail industry; risks related to consumer acceptance of the Company's products and the ability to develop new merchandise and enhance the Company's brand image; the ability to retain, hire and train key personnel and management; risks associated with the possible inability of the Company's manufacturers to deliver products in a timely manner or meet quality standards; risks associated with relying on foreign sources of production, including risks related to the disruption of imports by labor disputes; and risks associated with the possible lack of availability of suitable store locations on appropriate terms. 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.

CONSOLIDATED STATEMENTS OF INCOME

CONSOLIDATED STATEMENTS OF INCOME (millions except per share amounts)	2004	2003	2002
Net sales	**$ 9,408**	$ 8,934	$ 8,445
Costs of goods sold, buying and occupancy	**(6,030)**	(5,683)	(5,351)
Gross income	***3,378***	*3,251*	*3,094*
General, administrative and store operating expenses	**(2,351)**	(2,288)	(2,222)
Special item	**—**	—	(34)
Operating income	***1,027***	*963*	*838*
Interest expense	**(58)**	(62)	(30)
Interest income	**30**	63	29
Other income (loss)	**99**	(6)	—
Minority interest	**—**	—	(6)
Gains on investees' stock	**18**	208	6
Income from continuing operations before income taxes	***1,116***	*1,166*	*837*
Provision for income taxes	**411**	449	341
Income from continuing operations	***705***	*717*	*496*
Income from discontinued operations (including loss on disposal of $4 in 2002), net of tax	**—**	—	6
Net income	***$ 705***	*$ 717*	*$ 502*
Income per basic share:			
Continuing operations	**$ 1.50**	$ 1.38	$ 0.97
Discontinued operations	**—**	—	0.01
Net income per basic share	***$ 1.50***	*$ 1.38*	*$ 0.98*
Income per diluted share:			
Continuing operations	**$ 1.47**	$ 1.36	$ 0.95
Discontinued operations	**—**	—	0.01
Net income per diluted share	***$ 1.47***	*$ 1.36*	*$ 0.96*

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

CONSOLIDATED BALANCE SHEETS

CONSOLIDATED BALANCE SHEETS (millions except per share amounts)	JANUARY 29, 2005	JANUARY 31, 2004
ASSETS		
Current assets		
Cash and equivalents	**$ 1,161**	$ 3,130
Accounts receivable	**128**	112
Inventories	**1,142**	943
Other	**253**	248
Total current assets	***2,684***	*4,433*
Property and equipment, net	**1,484**	1,460
Goodwill	**1,338**	1,311
Trade names and other intangible assets, net	**462**	441
Other assets	**121**	235
Total assets	***$ 6,089***	*$ 7,880*
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	**$ 496**	$ 428
Accrued expenses and other	**726**	681
Income taxes	**229**	279
Total current liabilities	***1,451***	*1,388*
Deferred income taxes	**177**	134
Long-term debt	**1,646**	648
Other long-term liabilities	**447**	444
Commitments and contingencies (see Note 7)		
Minority interest	**33**	—
Shareholders' equity		
Preferred stock -		
$1.00 par value; 10 shares authorized; none issued	—	—
Common stock -		
$0.50 par value; 1,000 shares authorized; 524 shares issued in 2004 and 2003	**262**	262
Paid-in capital	**1,649**	1,674
Retained earnings	**3,392**	3,417
Less: treasury stock, at average cost; 117 and 6 shares in 2004 and 2003	**(2,968)**	(87)
Total shareholders' equity	***2,335***	*5,266*
Total liabilities and shareholders' equity	***$ 6,089***	*$ 7,880*

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

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (millions)	COMMON STOCK SHARES OUTSTANDING	COMMON STOCK PAR VALUE	PAID-IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK, AT AVERAGE COST	TOTAL SHAREHOLDERS' EQUITY
Balance, February 2, 2002	429	$ 216	$ 46	$ 2,552	($70)	$ 2,744
Net income	—	—	—	502	—	502
Cash dividends ($0.30 per share)	—	—	—	(150)	—	(150)
Acquisition of Intimate Brands, Inc. minority interest	89	44	1,587	—	—	1,631
Exchange of Intimate Brands, Inc. stock awards	—	—	59	—	—	59
Exercise of stock options and other	5	1	1	2	70	74
Balance, February 1, 2003	*523*	*$ 261*	*$ 1,693*	*$ 2,906*	*—*	*$ 4,860*
Net income	—	—	—	717	—	717
Cash dividends ($0.40 per share)	—	—	—	(208)	—	(208)
Repurchase of common stock	(10)	—	—	—	(150)	(150)
Exercise of stock options and other	5	1	(19)	2	63	47
Balance, January 31, 2004	*518*	*$ 262*	*$ 1,674*	*$ 3,417*	*($87)*	*$ 5,266*
Net income	**—**	**—**	**—**	**705**	**—**	**705**
Special dividend ($1.23 per share)	**—**	**—**	**—**	**(500)**	**—**	**(500)**
Cash dividends ($0.48 per share)	**—**	**—**	**—**	**(224)**	**—**	**(224)**
Repurchase of common stock	**(125)**	**—**	**—**	**—**	**(3,115)**	**(3,115)**
Exercise of stock options and other	**14**	**—**	**(25)**	**(6)**	**234**	**203**
Balance, January 29, 2005	***407***	***$ 262***	***$ 1,649***	***$ 3,392***	***($2,968)***	***$ 2,335***

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

CONSOLIDATED STATEMENTS OF CASH FLOWS (millions)	**2004**	**2003**	**2002**
OPERATING ACTIVITIES			
Net income	**$ 705**	$ 717	$ 502
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**333**	288	276
Straight-line rent adjustment	**31**	—	—
Gain on sale of third-party warrants	**(65)**	—	—
Gain on early collection of long-term note receivable	**(25)**	—	—
Gains on investees' stock	**(18)**	(208)	(6)
Gains on sale of property	**(10)**	(1)	(3)
Deferred income taxes	**47**	23	59
Stock compensation expense	**9**	18	85
Tax benefit on the exercise of non-qualified stock options	**32**	3	14
Loss on sale of joint ventures	**—**	8	—
Debt extinguishment costs	**—**	6	—
Special item	**—**	—	34
Loss on disposal of discontinued operations	**—**	—	10
Changes in assets and liabilities:			
Accounts receivable	**(14)**	41	(39)
Inventories	**(194)**	23	(144)
Accounts payable, accrued expenses and other	**105**	43	77
Income taxes payable	**(54)**	69	(110)
Other assets and liabilities	**51**	33	40
Net cash provided by operating activities	***933***	*1,063*	*795*
INVESTING ACTIVITIES			
Capital expenditures	**(431)**	(293)	(306)
Proceeds from settlement of long-term note receivable	**75**	—	—
Proceeds from sale of New York & Company warrants	**66**	—	—
Proceeds from sale of investees' stock	**65**	324	65
Acquisition, net of minority interest	**(27)**	—	—
Proceeds from sale of subsidiary	**—**	—	79
Proceeds from sale of joint ventures	**—**	8	34
Net proceeds (expenditures) related to non-operating real estate investments	**25**	(4)	18
Other investing activities	**—**	—	30
Net cash (used for) provided by investing activities	***(227)***	*35*	*(80)*
FINANCING ACTIVITIES			
Proceeds from issuance of long-term debt	**998**	350	300
Repayment of long-term debt	**—**	(250)	(150)
Repurchase of common stock	**(3,115)**	(150)	—
Dividends paid	**(724)**	(208)	(150)
Proceeds from exercise of stock options and other	**166**	28	52
Net cash (used for) provided by financing activities	***(2,675)***	*(230)*	*52*
Net (decrease) increase in cash and equivalents	***(1,969)***	*868*	*767*
Cash and equivalents, beginning of year	**3,130**	2,262	1,495
Cash and equivalents, end of year	***$ 1,161***	*$3,130*	*$2,262*

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

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

The Consolidated Financial Statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. The Consolidated Financial Statements include the results of Intimate Brands, Inc. ("IBI"), an 84%-owned subsidiary through March 21, 2002, when the Company purchased the remaining minority interest (see Note 2); and New York & Company (formerly Lerner New York) through November 27, 2002, when it was sold to a third-party. New York & Company's results are reflected as discontinued operations in 2002 (see Note 3).

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 from which the Company purchases merchandise or merchandise components is included in cost of goods sold. The Company's share of the net income or loss of all other unconsolidated entities is included in other income (loss).

LEASE RELATED ACCOUNTING

Like other companies in the retail industry, the Company, in consultation with its independent auditors, has concluded that its previous accounting practices related to the accounting for straight-line rent and the depreciation and amortization of leasehold improvements and certain landlord allowances were not correct. Accordingly in the fourth quarter of 2004, the Company recorded a one-time pretax charge of $61 million, which is included in cost of goods sold, buying and occupancy in the Consolidated Statements of Income, to reflect the corrections more fully described below.

Historically, the Company recognized straight-line rent expense for leases beginning on the earlier of the store opening date or lease commencement date, resulting in the exclusion of the store build-out period ("Rent Holiday") from the period over which it amortizes its rent expense. In the fourth quarter of 2004, the Company adjusted its straight-line rent accrual for all applicable leases to reflect the recognition of rent expense over a period that includes the Rent Holiday period, resulting in cumulative additional rent expense of $31 million.

In addition, the Company had previously depreciated leasehold improvements over a period of up to 10 years, which, primarily due to store remodeling activity, resulted in certain leasehold improvements being depreciated over a period beyond the contractual lease term. In the fourth quarter of 2004, the Company adjusted the net book value of its leasehold improvements to reflect useful lives equal to the lesser of the estimated useful lives of the assets, or the contractual term of the lease, resulting in cumulative additional depreciation expense of $39 million. In addition, the Company had previously amortized certain landlord allowances beyond the contractual lease term. The Company adjusted these landlord allowances to reflect amortization over the contractual term of the lease, resulting in a cumulative reduction in rent expense of $9 million.

The Company evaluated the impact of these revised accounting practices from a quantitative and qualitative perspective. From a quantitative perspective, had the revised accounting practices been applied retroactively, reported pretax income from continuing operations would have increased by $7 million and $1 million in 2004 and 2003, respectively, and would have decreased by $2 million in 2002. Additionally, these corrections do not impact the Company's historical or future cash flows or the timing of lease related payments. From a qualitative perspective, the retroactive application of these revised accounting practices would not have had a significant impact on earnings trends, individual segment results, earnings expectations or debt covenants or other contractual requirements. Based on this evaluation, the Company concluded that a restatement of prior period results was not required as the impact of these corrections is not material to the Company's historical results or cash flows.

FISCAL YEAR

The Company's fiscal year ends on the Saturday closest to January 31. Fiscal years are designated in the Consolidated Financial Statements and Notes by the calendar year in which the fiscal year commences. The results for fiscal years 2004, 2003 and 2002 represent the fifty-two-week periods ended January 29, 2005, January 31, 2004 and February 1, 2003.

CASH AND EQUIVALENTS

Cash and equivalents include amounts on deposit with financial institutions and money market investments with original maturities of less than 90 days. Accounts payable includes $142 million and $137 million of outstanding checks at January 29, 2005 and January 31, 2004, respectively.

INVENTORIES

Inventories are principally valued at the lower of average cost or market, on a weighted-average cost basis, using the retail method.

STORE SUPPLIES

The initial shipment of selling-related supplies (including primarily hangers, signage, security tags and packaging) is capitalized at the store opening date. Subsequent shipments are expensed, except for new merchandise presentation programs, which are capitalized. Store supplies are adjusted as appropriate for changes in actual quantities or costs.

DIRECT RESPONSE ADVERTISING

Direct response advertising relates primarily to the production and distribution of the Company's catalogues and is amortized over the expected future revenue stream, which is generally three months from the date catalogues are mailed. The Company had capitalized direct response advertising of $33 million at January 29, 2005 and $28 million at January 31, 2004. All other advertising costs are expensed at the time the promotion first appears in media or in the store. Catalogue and advertising costs amounted to $484 million in 2004, $465 million in 2003 and $428 million in 2002.

LONG-LIVED ASSETS

Depreciation of property and equipment is computed for financial reporting purposes on a straight-line basis, using service lives generally ranging from 10 to 15 years for non-store related building and leasehold improvements, 3 to 10 years for store related property and equipment, with leaseholds and improvements over the shorter of the useful life or lease term, and 20 years for other property and equipment. When a decision has been made to dispose of property and equipment prior to the end of the previously estimated useful life, depreciation estimates are revised to reflect the use of the asset over the shortened estimated useful life. The cost of assets sold or retired and the related accumulated depreciation are removed from the accounts with any resulting gain or loss included in net income. Maintenance and repairs are charged to expense as incurred. Major renewals and betterments that extend service lives are capitalized.

Intangible assets subject to amortization are amortized over the estimated useful life of the asset. License agreements are amortized based on the sell-through of the related products, over the shorter of the term of the license agreement or the estimated useful life of the asset, not to exceed 10 years. Trade names and other intangible assets subject to amortization are amortized on a straight-line basis.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the undiscounted future cash flows from the long-lived assets are less than the carrying value, the Company recognizes a loss equal to the difference between the carrying value and the discounted future cash flows of the asset. Goodwill is reviewed annually for impairment by comparing each reporting unit's carrying value to its fair value. Intangible assets not subject to amortization are reviewed for impairment annually by comparing the fair value to the carrying value. Factors used in the valuation of long-lived assets, intangible assets and goodwill include, but are not limited to, management's plans for future operations, brand initiatives, recent operating results and projected cash flows.

INCOME TAXES

The Company accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized based on the difference between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect in the years when those temporary differences are expected to reverse. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

SELF INSURANCE

The Company is self-insured for medical, worker's compensation, general liability and automobile benefits up to certain stop-loss limits. Such costs are accrued based on known claims and an estimate of incurred but not reported ("IBNR") claims. IBNR claims are estimated using historical claim information and actuarial estimates.

MINORITY INTEREST

In January 2005, the Company and an investment partner acquired a personal care products business. Net assets of the acquired company, based on a preliminary valuation, consisted primarily of $29 million of intangible assets subject to amortization and $27 million of goodwill. Based on the contractual rights and obligations of the Company and the investment partner, the Company is required to consolidate the acquired company, in accordance with Financial Accounting Standards Board Interpretation No. 46R, "Consolidation of Variable Interest Entities." The investment partner's equity interest in the acquired company has been reflected as minority interest in the Consolidated Balance Sheet and will be increased or decreased based on future earnings, capital contributions and distributions from the acquired company.

SHAREHOLDERS' EQUITY

In February 2004, the Company's Board of Directors authorized the repurchase of $1 billion of the Company's common stock under a modified Dutch Auction tender offer, which was completed in April 2004. Under this tender offer, the Company repurchased 50.6 million shares of common stock at a purchase price of $19.75 per share.

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

In August 2004, the Company's Board of Directors authorized the repurchase of an additional $250 million of the Company's common stock. Before this repurchase was superseded by the $2 billion tender offer announced in October 2004, the Company repurchased approximately 0.7 million shares of its common stock under this authorization for $15 million at an average price per share of approximately $21.04.

In October 2004, the Company's Board of Directors authorized the repurchase of $2 billion of common stock under a modified Dutch Auction tender offer, superseding the Company's $250 million share repurchase program. The Company completed this tender offer in December 2004, repurchasing 69.0 million shares of common stock at a purchase price of $29 per share. Upon the completion of this tender offer, the Board of Directors declared a $500 million special dividend, or $1.23 per share, which was paid in January 2005.

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

REVENUE RECOGNITION

The Company recognizes sales upon customer receipt of the merchandise, which for catalogue and e-commerce revenues reflects an estimate of shipments that have not yet been received by the customer based on shipping terms. Shipping and handling revenues are included in net sales and the related costs are included in costs of goods sold, buying and occupancy. Revenue for gift certificate and gift card sales as well as store credits is recognized at redemption. A reserve is provided for projected merchandise returns based on prior experience.

COST OF GOODS SOLD, BUYING AND OCCUPANCY

Cost of goods sold includes merchandise costs, net of discounts and allowances, freight and inventory shrinkage. Buying and occupancy expenses primarily include payroll, benefit costs and operating expenses for the Company's buying departments and distribution network, rent, common area maintenance, real estate taxes, utilities, maintenance, catalogue amortization and depreciation for the Company's stores, warehouse facilities and equipment.

GENERAL, ADMINISTRATIVE AND STORE OPERATING EXPENSES

General, administrative and store operating expenses primarily include payroll and benefit costs for the Company's store-selling and administrative departments (including corporate functions), advertising and other operating expenses not specifically categorized elsewhere in the Consolidated Statements of Income.

GAINS ON INVESTEES' STOCK

During the second quarter of 2004, the Company sold its remaining ownership interest in Galyan's Trading Company, Inc. ("Galyan's") for $65 million resulting in a pretax gain of $18 million. Prior to the sale of Galyan's shares, the Company accounted for its investment using the equity method.

During the first quarter of 2003, the Company sold approximately one-half of its ownership interest in Alliance Data Systems Corporation ("ADS") for $131 million resulting in a pretax gain of $80 million. During the third quarter of 2003, the Company sold its remaining ownership interest in ADS for $193 million resulting in a pretax gain of $128 million. Prior to these sales of ADS shares, the Company accounted for its investment using the equity method.

During the third quarter of 2002, the Company recognized a pretax gain of $6 million resulting from the sale of its Charming Shoppes, Inc. common stock for $65 million. The stock was received in connection with the Company's sale of Lane Bryant during the third quarter of 2001.

EARNINGS PER SHARE

Earnings per basic share is computed based on the weighted average number of outstanding common shares. Earnings per diluted share includes the weighted average effect of dilutive options and restricted stock on the weighted average shares outstanding.

Weighted average common shares outstanding at January 29, 2005, January 31, 2004 and February 1, 2003 were as follows:

WEIGHTED AVERAGE COMMON SHARES OUTSTANDING (millions)	**2004**	**2003**	**2002**
Common shares issued	**524**	524	511
Treasury shares	**(54)**	(5)	(1)
Basic shares	***470***	*519*	*510*
Effect of dilutive options and restricted stock	**9**	7	12
Diluted shares	***479***	*526*	*522*

The computation of earnings per diluted share excludes options to purchase approximately 1 million, 17 million and 13 million shares of common stock in 2004, 2003 and 2002, because the options' exercise prices were greater than the average market price of the common shares during the year.

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 No.123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"), establishes an alternative method of expense recognition for stock-based compensation awards based on fair values.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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:

PRO FORMA NET INCOME AND EARNINGS PER SHARE (millions except per share amounts)	2004	2003	2002
Net income, as reported	**$ 705**	$ 717	$ 502
Add: stock compensation cost recorded under APB No. 25, net of tax	**5**	12	58
Deduct: stock compensation cost calculated under SFAS No. 123, net of tax	**(33)**	(38)	(50)
Pro forma net income	***$ 677***	*$ 691*	*$ 510*
Earnings per share:			
Basic, as reported	**$1.50**	$1.38	$0.98
Basic, pro forma	**$1.44**	$1.33	$1.00
Diluted, as reported	**$1.47**	$1.36	$0.96
Diluted, pro forma	**$1.42**	$1.32	$0.99

The stock compensation cost recorded by the Company primarily relates to restricted stock expense and compensation expense resulting from the exchange of both vested and unvested IBI stock awards in connection with the IBI recombination (see Note 2). Stock compensation expense related to the IBI recombination was recognized in accordance with Emerging Issues Task Force Issue No. 00-23, “Issues Related to the Accounting for Stock Compensation under APB Opinion No. 25 and FASB Interpretation No. 44” (“EITF No. 00-23”).

The weighted average per share fair value of options granted by the Company ($6.25, $4.08 and $5.31 for 2004, 2003 and 2002) was used to calculate the pro forma compensation expense under SFAS No. 123. The fair value was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions for 2004, 2003 and 2002: dividend yields of 2.6%, 3.2% and 2.8%; volatility of 44%, 44% and 42%; risk-free interest rates of 3%, 2% and 3%; and expected lives of 5.3 years, 5.2 years and 4.4 years.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In December 2004, the Financial Accounting Standards Board issued SFAS No. 123R, “Share-Based Payment” (“SFAS No. 123R”), which replaces SFAS No. 123 and supersedes APB Opinion No. 25. SFAS No. 123R requires all share-based payments to employees, including grants of employee stock options, to be measured at their fair values at the date of grant and recognized as expense over the service period, which is generally the vesting period. SFAS No. 123R is effective for the first interim period beginning after June 15, 2005, which, for the Company, will be the third quarter of 2005. SFAS No. 123R provides two alternatives for adoption: (1) a “modified prospective” method in which compensation cost is recognized for all awards granted subsequent to the effective date of this statement as well as for the unvested portion of awards outstanding as of the effective date; or (2) a “modified retrospective” method which follows the approach in the “modified prospective” method, but also permits entities to restate prior periods to record compensation cost calculated under SFAS No. 123 for the pro forma disclosure. The Company has not yet determined which method of adoption it will apply.

The adoption of SFAS No. 123R is expected to have a significant impact on the Company’s results of operations, although it will have no impact on the Company’s overall financial position. The impact of adopting SFAS No. 123R cannot be accurately estimated at this time, as it will depend on the market value and the amount of share-based awards granted in future periods. However, had the Company adopted SFAS No. 123R in a prior period, the impact would approximate the impact of SFAS No. 123 as described in the disclosure of pro forma net income and earnings per share in the above disclosure.

USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

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

RECLASSIFICATIONS

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

2 ACQUISITION OF INTIMATE BRANDS, INC. MINORITY INTEREST

In March 2002, the Company completed a tax-free tender offer and merger, which resulted in the acquisition of the IBI minority interest. The acquisition resulted in the recombination of IBI and Limited Brands. The total purchase price was approximately $1.6 billion, based on approximately 89 million Limited Brands common shares issued in the transaction and the average closing price of Limited Brands common stock over the three-day period before and after the transaction date.

The acquisition was effected through an offer to exchange 1.1 shares of Limited Brands common stock for each share of IBI Class A common stock followed by a merger in which all publicly-held shares not tendered were exchanged for the same consideration. As a result, IBI became a wholly-owned subsidiary of Limited Brands and the former public shareholders of IBI became shareholders of Limited Brands.

The acquisition was accounted for using the purchase method of accounting, as prescribed by SFAS No. 141, “Business Combinations.” The Company allocated the purchase price to the minority interest portion of the fair values of identifiable intangible assets acquired.

The purchase price allocation included $411 million of acquired intangible assets related to trade names with indefinite lives. In accordance with SFAS No. 142, “Goodwill and Other Intangible Assets,” these intangible assets are not being amortized. The remaining purchase price allocation included the fair market value adjustments related to customer relationships and lists, property and equipment, leases, long-term debt and deferred rent. These adjustments are being amortized over their respective useful lives (primarily five years) resulting in non-cash expense of approximately $5 million per year. In addition, the acquisition resulted in approximately $1.2 billion of goodwill. None of these amounts are deductible for tax purposes.

3 SALE OF NEW YORK & COMPANY

On November 27, 2002, the Company sold one of its apparel businesses, New York & Company, to an investor group led by the business unit’s President and Chief Executive Officer and affiliates of Bear Stearns Merchant Banking. Under the terms of the agreement, the Company received $79 million in cash, a $75 million 10% subordinated note due November 2009 (the “New York & Company Note”) and warrants for approximately 13% of the common equity of the new company (the “New York & Company Warrants”). A $26 million discount was recorded on the New York & Company Note, which was being accreted to income over the term of the note.

During 2003, the Company received approximately $38 million in additional cash consideration based on New York & Company’s net working capital at closing.

The transaction resulted in an after-tax loss of approximately $4 million, which reflected transaction costs and an estimated lease guarantee liability. The Company’s financial statements reflect New York & Company’s operating results (including the transaction loss) as a discontinued operation in 2002 in accordance with SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets.” New York & Company’s net sales and pretax income reported in discontinued operations were $708 million and $15 million in 2002. The Company did not allocate interest expense to discontinued operations.

During the first quarter of 2004, the Company recognized a $45 million gain resulting from New York & Company's early repayment of the New York & Company Note and purchase of the New York & Company Warrants. The note and warrants had a carrying value, including accrued interest, of $60 million.

In connection with the agreement to prepay the note and purchase the warrants, as amended on August 5, 2004, New York & Company agreed to make an additional payment to Limited Brands if (1) New York & Company completed an initial public offering pursuant to a registration statement filed on or before December 31, 2004 or was sold pursuant to an agreement entered into on or before December 31, 2004 and (2) the implied equity value of New York & Company based upon one of the above transactions exceeded $157 million. During the third quarter of 2004, New York & Company completed an initial public offering and the Company received the agreed upon payment of $45 million, at which time the Company recognized a $45 million pretax, non-operating gain.

The Company will continue to provide certain corporate services to New York & Company under service agreements which expire at various dates through 2007.

4 SPECIAL ITEM

During the first quarter of 2002, in connection with the acquisition of the IBI minority interest (see Note 2), vested IBI stock options and restricted stock were exchanged for Limited Brands stock awards with substantially similar terms. In accordance with EITF No. 00-23, the exchange was accounted for as a modification of a stock-based compensation arrangement. As a result, the Company recorded a pretax, non-cash charge of $34 million in the first quarter of 2002.

5 PROPERTY AND EQUIPMENT, NET

Property and equipment, net at January 29, 2005 and January 31, 2004 was as follows:

PROPERTY AND EQUIPMENT, NET (millions)	**2004**	**2003**
Land, buildings and improvements	**$ 426**	$ 420
Furniture, fixtures and equipment	**2,180**	2,213
Leaseholds and improvements	**1,138**	1,090
Construction in progress	**38**	21
Total	***3,782***	*3,744*
Less: accumulated depreciation	**(2,298)**	(2,284)
Property and equipment, net	***$ 1,484***	*$ 1,460*

6 GOODWILL, TRADE NAMES AND OTHER INTANGIBLE ASSETS, NET

Goodwill of $690 million related to Victoria's Secret and $621 million related to Bath & Body Works primarily resulted from the March 2002 acquisition of the IBI minority interest (see Note 2). An additional $27 million of goodwill was recorded as a result of the Company's January 2005 acquisition of an interest in a personal care products business (see Note 1).

Intangible assets, not subject to amortization, represent trade names that were recorded in connection with the acquisition of the IBI minority interest and were $411 million as of January 29, 2005 and January 31, 2004.

Intangible assets, subject to amortization, were as follows:

INTANGIBLE ASSETS, NET (millions)	**2004**	**2003**
Gross carrying amount	**$ 85**	$ 56
Accumulated amortization	**(34)**	(26)
Intangible assets, net	***$ 51***	*$ 30*

Amortization expense was $8 million in 2004, $8 million in 2003 and $6 million in 2002. Estimated future annual amortization expense will be approximately $11 million in 2005, $10 million in 2006, $8 million in 2007, $3 million in 2008 and 2009 and $16 million thereafter.

7 LEASED FACILITIES, COMMITMENTS AND CONTINGENCIES

Annual store rent consists of a fixed minimum amount and/or contingent rent based on a percentage of sales exceeding a stipulated amount.

Rent expense for the years ended January 29, 2005, January 31, 2004 and February 1, 2003 was as follows:

RENT EXPENSE (millions)	**2004**	**2003**	**2002**
Store rent:			
Fixed minimum	**$517**	$492	$479
Contingent	**56**	46	43
Total store rent	***573***	*538*	*522*
Equipment and other	**38**	42	34
Gross rent expense	***611***	*580*	*556*
Sublease rental income	**(19)**	(20)	(20)
Total rent expense	***$592***	*$560*	*$536*

In 2004, fixed minimum store rent expense includes a $22 million pretax non-cash charge to correct the Company's accounting for leases (see Note 1). For leases that contain predetermined fixed escalations of the minimum rentals and/or rent abatements subsequent to taking possession of the leased property, the Company recognizes the related rent expense on a straight-line basis and records the difference between the recognized rental expense and amounts payable under the leases as deferred lease credits, which are included in other long-term liabilities. This liability amounted to $95 million and $69 million at January 29, 2005 and January 31, 2004, respectively.

Landlord allowances received upon entering into certain store leases are recorded as a long-term deferred credit and are amortized on a straight-line basis as a reduction to rent expense over the lease term. The unamortized portion of landlord allowances is included in other long-term liabilities and amounted to $160 million and $170 million at January 29, 2005 and January 31, 2004, respectively. At January 29, 2005, the Company was committed to noncancelable leases with remaining terms generally from one to ten years. A substantial portion of these commitments consists of store leases generally with an initial term of ten years. Store lease terms generally require additional payments covering taxes, common area costs and certain other expenses. The obligations for these additional payments are excluded from the table that follows.

The Company's minimum rent commitments under noncancelable leases is as follows:

MINIMUM RENT COMMITMENTS (millions)	
2005	$547
2006	495
2007	424
2008	361
2009	331
Thereafter	1,095

At January 29, 2005, the Company's future sublease income under noncancelable subleases was $43 million, which included $16 million of rent commitments related to disposed businesses under master lease arrangements.

In connection with the disposition of certain businesses, the Company has remaining guarantees of approximately $370 million related to lease payments of Abercrombie & Fitch, Too Inc. (formerly Limited Too), Dick's Sporting Goods (formerly Galyan's), Lane Bryant and New York & Company under the current terms of noncancelable leases expiring at various dates through 2015. These guarantees include minimum rent and additional payments covering taxes, common area costs and certain other expenses and relate to leases that commenced prior to the disposition of the businesses. 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.

The Company has land and other investments in Easton, a 1,300 acre planned community in Columbus, Ohio, that integrates office, hotel, retail, residential and recreational space. These investments, at cost, totaled $57 million at January 29, 2005 and $68 million at January 31, 2004.

Included in the Company's Easton investments is an equity interest in Easton Town Center, LLC ("ETC"), an entity that owns and has developed a commercial entertainment and shopping center. The Company's investment in ETC was $14 million at January 29, 2005 and $13 million at January 31, 2004, which the Company accounts for using the equity method. The Company has a majority financial interest in ETC, but another member that is unaffiliated with the Company is the managing member. Certain significant decisions regarding ETC require the consent of the unaffiliated members in addition to the Company.

Total assets of ETC were approximately $238 million as of January 29, 2005 and $234 million as of January 31, 2004. ETC's principal funding source is a $210 million secured bank loan, all of which was outstanding at January 29, 2005. The loan is payable in full on January 28, 2006, with the option of two 12-month extensions if certain requirements are met. The Company has guaranteed $25 million of the principal of this loan. If ETC does not meet the debt service coverage ratio or appraised property values required by covenants in the loan agreement, the Company has the option to (1) guarantee an additional amount of the loan, (2) provide an irrevocable letter of credit on behalf of ETC, (3) make a principal payment or (4) lease additional retail space. Otherwise, the bank may call the loan under the agreement's default provisions. The Company expects that ETC will meet the financial covenants of this loan.

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 and contingencies, if any, is not likely to have a material adverse effect on the Company's results of operations, financial condition or cash flows.

8 ACCRUED EXPENSES AND OTHER

Accrued expenses and other at January 29, 2005 and January 31, 2004 were as follows:

ACCRUED EXPENSES AND OTHER (millions)	2004	2003
Deferred revenue	**$225**	$184
Compensation, payroll taxes and benefits	**144**	150
Taxes, other than income	**71**	58
Returns reserve	**42**	37
Insurance	**39**	35
Rent	**37**	34
Interest	**26**	14
Other	**142**	169
Total accrued expenses and other	***$726***	*$681*

9 INCOME TAXES

The components of the Company's provision for income taxes for the years ended January 29, 2005, January 31, 2004 and February 1, 2003 were as follows:

PROVISION FOR INCOME TAXES (millions)	2004	2003	2002
Currently payable:			
Federal	**$285**	$357	$251
State	**74**	64	49
Foreign	**5**	5	5
Total	***364***	*426*	*305*
Deferred:			
Federal	**74**	25	30
State	**(27)**	(2)	6
Total	***47***	*23*	*36*
Provision for income taxes	***$411***	*$449*	*$341*

The 2002 tax provision reflects the nondeductible expense related to the exchange of vested IBI incentive stock options (see Note 4). The foreign component of pretax income, arising principally from overseas sourcing operations, was $46 million in 2004, $34 million in 2003 and $56 million in 2002.

The reconciliation between the statutory federal income tax rate and the effective tax rate for the years ended January 29, 2005, January 31, 2004 and February 1, 2003 follows:

RATE RECONCILIATION	2004	2003	2002
Federal income tax rate	**35.0%**	35.0%	35.0%
State income taxes, net of Federal income tax effect	**4.2%**	3.5%	4.3%
Other items, net	**(2.4%)**	—	1.4%
Effective tax rate	**36.8%**	38.5%	40.7%

In 2004, the effective tax rate reflects a tax benefit of $18 million related to the resolution of certain state tax matters, which reduced the Company's effective rate by 1.4% and is included with other items, net in the rate reconciliation.

The Company's effective tax rate has historically reflected and continues to reflect a provision related to the undistributed earnings of foreign affiliates. The Company has recorded a deferred tax liability for those amounts, but the taxes are not paid until the earnings are deemed repatriated to the United States. The Internal Revenue Service ("IRS") has assessed the Company for taxes and interest for the years 1992 to 2000 on the basis that a portion of the foreign earnings had been repatriated. 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 1992 through 1994 years. While the outcome cannot yet be determined, the Company is pursuing additional actions to obtain a refund of up to $85 million in tax plus interest related to the 1995 through 2000 years. Any refund of tax received would be recorded as a deferred tax liability, representing future taxes due on undistributed earnings of foreign affiliates.

On October 22, 2004, the American Jobs Creation Act (the "Act") was passed, providing for a special one-time deduction of 85% of certain foreign earnings that are repatriated to the United States provided certain criteria are met, including the implementation of a qualifying reinvestment plan. Based on a preliminary review, it is reasonably possible that the Company may qualify to receive a tax benefit with respect to the repatriation of foreign earnings through 2004. However, a substantial portion of the potential tax benefit is contingent upon the successful resolution of the matters related to the 1995 through 2000 years described above. If the Company receives a refund related to the 1995 through 2000 years and is able to implement a qualifying reinvestment plan, a tax benefit of up to $70 million could be recognized as a reduction of income tax expense.

The Company continues to evaluate the impact of the Act and will finalize its assessment during 2005.

The effect of temporary differences that give rise to deferred income taxes at January 29, 2005 and January 31, 2004 was as follows:

	2004			2003		
DEFERRED INCOME TAXES (millions)	ASSETS	LIABILITIES	TOTAL	ASSETS	LIABILITIES	TOTAL
Leases	**$ 38**	**—**	**$ 38**	$ 28	—	$ 28
Non-qualified retirement plan	**37**	**—**	**37**	35	—	35
Inventory	**6**	**—**	**6**	15	—	15
Property and equipment	**—**	**($115)**	**(115)**	—	($59)	(59)
Trade names and other intangibles	**—**	**(148)**	**(148)**	—	(150)	(150)
Undistributed earnings of foreign affiliates	**—**	**(40)**	**(40)**	—	(32)	(32)
Other, net	**—**	**(29)**	**(29)**	—	(41)	(41)
Total deferred income taxes	***$ 81***	*($332)*	*($251)*	*$78*	*($282)*	*($204)*

As of January 29, 2005, the Company had available for state income tax purposes net operating loss carryforwards, which expire, if unused, in years 2005 through 2024. The Company has determined that it is more likely than not that the state net operating loss carryforwards of $72 million after-tax, will not be realized and, accordingly, a valuation allowance has been provided against the deferred tax asset for the entire balance of state net operating loss carryforwards.

Income taxes payable included net current deferred tax liabilities of $74 million at January 29, 2005 and $70 million at January 31, 2004. Income tax payments were $385 million in 2004, $352 million in 2003 and $376 million in 2002.

10 LONG-TERM DEBT

The Company's long-term debt balance at January 29, 2005 and January 31, 2004 was as follows:

LONG-TERM DEBT (millions)	2004	2003
6.125% Notes due December 2012, less unamortized discount	**$ 299**	$299
6.95% Debentures due March 2033, less unamortized discount	**349**	349
5.25% Notes due November 2014, less unamortized discount	**498**	—
Term loan	**500**	—
Total long-term debt	***$1,646***	*$648*

In October 2004, the Company issued $500 million of 5.25% notes due November 2014 utilizing a shelf registration statement, under which up to $500 million of debt securities, common and preferred stock, and other securities could be issued. The Company also borrowed $500 million under a term loan agreement (the "Term Loan") that became effective in November 2004. The proceeds of these borrowings were used to partially finance the Company's $2 billion tender offer and $500 million special dividend (see Note 1).

The principal amount outstanding under the Term Loan is due in quarterly installments of $25 million from March 2007 to December 2008 and $75 million from March 2009 to December 2009.

In conjunction with the completion of the $2 billion tender offer, the Company replaced its existing unsecured revolving credit facility with a new $1 billion unsecured revolving credit facility (the "Facility"). The Facility is available to support the Company's commercial paper and letter of credit programs, which may be used from time to time to fund working capital and other general corporate requirements. Borrowings outstanding under the Facility, if any, are due in November 2009. Fees payable under the Facility are based on the Company's long-term credit ratings, and are currently 0.15% of the committed amount per year.

The Facility and the Term Loan have several interest rate options, which are based in part on the Company's long-term credit ratings. The interest rate on the Term Loan was 3.39% at January 29, 2005. These agreements also require the Company to maintain certain specified fixed charge and debt-to-earnings ratios and prohibit certain types of liens on property or assets. The Company was in compliance with the covenant requirements as of January 29, 2005.

In March 2003, the Company redeemed its 7.5% 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 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.

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

In November 2002, the Company issued $300 million of debt securities which mature on December 1, 2012 and bear interest at 6.125%. The debt securities were issued using the Company's then existing $250 million shelf registration, together with an additional $50 million as permitted pursuant to SEC shelf registration regulations.

Cash paid for interest was $46 million in 2004, $59 million in 2003 and $29 million in 2002.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11 STOCK-BASED COMPENSATION

Under the Company's stock plans, 100 million options and restricted shares have been authorized to be granted to associates at the market price on the date of grant, of which approximately 29 million options and restricted shares were available for grant at January 29, 2005. Options have a maximum term of 10 years and generally vest over periods from four to six years.

Prior to the acquisition of the IBI minority interest in 2002, associates were granted restricted shares and options under separate Limited Brands and IBI stock plans. As a result of the recombination (see Note 2), the IBI stock plan was amended to reflect the conversion of IBI stock options and restricted stock to Limited Brands stock awards with substantially similar terms. For the years ended January 29, 2005, January 31, 2004 and February 1, 2003, the Company recognized $2 million, $11 million and $25 million, respectively, of pretax, non-cash compensation expense related to these unvested awards. In addition, during the year ended February 1, 2003, the Company recorded a pretax, non-cash charge of $34 million for vested awards under the IBI stock plan (see Note 4).

In connection with the $500 million special dividend in 2004 (see Note 1), the Company adjusted both the exercise price and the number of stock-based awards outstanding as of the record date of the special dividend. As a result of this adjustment, both the aggregate intrinsic value and the ratio of the exercise price to the market price were approximately equal immediately before and after the dividend record date. As a result, no compensation expense was recognized for this adjustment.

The Company's stock options outstanding at January 29, 2005 were as follows:

STOCK OPTION SUMMARY (thousands except per share amounts)	**OPTIONS OUTSTANDING**			**OPTIONS EXERCISABLE**	
RANGE OF EXERCISE PRICES	**NUMBER OUTSTANDING**	**WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE**	**WEIGHTED AVERAGE EXERCISE PRICE**	**NUMBER EXERCISABLE**	**WEIGHTED AVERAGE EXERCISE PRICE**
$ 5 – $ 10	5,608	2.5	$ 9.41	5,415	$ 9.41
$11 – $ 15	12,524	6.0	$ 13.07	6,504	$ 13.36
$16 – $ 20	16,340	7.2	$ 17.65	5,248	$ 17.59
$21 – $ 26	612	6.9	$ 22.35	362	$ 21.89
$ 5 – $ 26	**35,084**	**6.0**	**$ 14.78**	**17,529**	**$ 13.58**

The Company's stock option activity for 2004, 2003 and 2002 was as follows:

STOCK OPTION ACTIVITY (thousands except per share amounts)		NUMBER OF SHARES	WEIGHTED AVERAGE OPTION PRICE PER SHARE
2002	Outstanding at beginning of year	30,464	$ 13.61
	Granted	7,952	17.59
	Exchange of IBI options	13,871	12.86
	Exercised	(4,544)	10.95
	Canceled	(3,779)	14.51
	Outstanding at end of year	43,964	$ 14.31
	Options exercisable at end of year	20,060	$ 12.77
2003	Outstanding at beginning of year	43,964	$ 14.31
	Granted	6,517	12.94
	Exercised	(4,206)	9.77
	Canceled	(2,806)	17.11
	Outstanding at end of year	43,469	$ 14.36
	Options exercisable at end of year	23,717	$ 13.40
2004	**Outstanding at beginning of year**	**43,469**	**$ 14.36**
	Granted	**6,470**	**19.13**
	Exercised	**(13,735)**	**13.31**
	Canceled	**(2,942)**	**16.05**
	Adjustment for special dividend	**1,822**	**n/a**
	Outstanding at end of year	**35,084**	**$ 14.78**
	Options exercisable at end of year	**17,529**	**$ 13.58**

Approximately 595,000, 869,000 and 559,000 restricted Limited Brands shares were granted in 2004, 2003 and 2002, with market values at date of grant of $12 million in 2004, $12 million in 2003 and $10 million in 2002. Restricted shares generally vest over a period of three to six years.

12 RETIREMENT BENEFITS

The Company sponsors a defined contribution retirement plan and a supplemental retirement plan.

Participation in the defined contribution plan is available to all associates who have completed 1,000 or more hours of service with the Company during a 12-month period and who have attained the age of 21. This plan is a qualified plan and the Company contributes amounts based on a percentage of the associates' eligible annual compensation, which vest based on the associates' years of service. The plan also permits associates to contribute amounts to individual accounts up to the maximum amount allowable under the Internal Revenue Code. The Company matches associate contributions based on a predetermined formula and are 100% vested at all times. Total expense recognized related to this plan was $44 million in 2004, $42 million in 2003 and $45 million in 2002.

Participation in the supplemental retirement plan is subject to service, job level and compensation requirements. This plan is an unfunded, non-qualified plan and the Company contributes amounts based on a percentage of the associates' eligible compensation. This plan permits highly-compensated associates to defer a portion of their salaries beyond the Internal Revenue Code limits for the defined contribution plan. The Company matches associate contributions according to a predetermined formula up to a maximum amount. Associates may elect to defer additional, unmatched portions of their salaries, subject to limitations. Associate accounts are credited with interest using a rate determined annually based on an evaluation of the 10-year and 30-year borrowing rates available to the Company. Associate contributions and the related interest vest immediately. Company contributions and the related interest are subject to vesting based on the associates' years of service. Unmatched associate contributions and the related interest can be distributed from the plan at any time through an in-service withdrawal. The remaining vested balance can only be paid upon termination of employment in either a lump sum or in equal annual installments over a 10-year period.

The annual activity for this plan and the Company's year-end liability, which is included in other long-term liabilities, were as follows:

RETIREMENT BENEFITS (millions)	**2004**	**2003**
Balance at beginning of year	**$137**	$111
Contributions:		
Associate	**16**	11
Company	**17**	15
Interest	**8**	8
Distributions	**(31)**	(7)
Forfeitures	**(2)**	(1)
Balance at end of year	**$145**	$137

Total expense recognized related to this plan was $23 million in 2004, $22 million in 2003 and $22 million in 2002.

13 FAIR VALUE OF FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of cash equivalents, accounts receivable, accounts payable and accrued expenses approximates fair value because of their short maturity. The fair value of long-term debt is estimated based on the quoted market prices for the same or similar issues. The estimated fair value of the Company's long-term debt at January 29, 2005 and January 31, 2004 was $1.7 billion and $709 million compared to the carrying value of $1.6 billion and $648 million, respectively.

CONCENTRATION OF CREDIT RISK

The Company maintains cash and equivalents with various major financial institutions, as well as corporate commercial paper. The Company monitors the relative credit standing of these financial institutions and other entities and limits the amount of credit exposure with any one entity. The Company also monitors the creditworthiness of the entities to which it grants credit terms in the normal course of business.

14 SEGMENT INFORMATION

The Company has three reportable segments: Victoria’s Secret, Bath & Body Works and Apparel.

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

The Company’s segment information as of and for the years ended January 29, 2005, January 31, 2004 and February 1, 2003 was as follows:

SEGMENT INFORMATION (millions)		VICTORIA'S SECRET	BATH & BODY WORKS	APPAREL	n OTHER	TOTAL
2004	**Net sales**	**$ 4,232**	**$ 2,169**	**$ 2,490**	**$ 517**	**$ 9,408**
	Depreciation and amortization	**102**	**73**	**80**	**78**	**333**
	Operating income	**799**	**400**	**16**	**(188)**	**1,027**
	Total assets	**2,140**	**1,487**	**666**	**1,796**	**6,089**
	Capital expenditures	**192**	**64**	**125**	**50**	**431**
2003	Net sales	$ 3,817	$ 1,934	$ 2,697	$ 486	$ 8,934
	Depreciation and amortization	75	68	68	77	288
	Operating income	711	355	91	(194)	963
	Total assets	2,018	1,404	665	3,793	7,880
	Capital expenditures	108	30	102	53	293
2002	Net sales	$ 3,586	$ 1,781	$ 2,711	$ 367	D$8,445
	Depreciation and amortization	75	65	52	84	276
	Operating income	614	300	115	*(191)	D838
	Total assets	1,991	1,477	685	3,093	7,246
	Capital expenditures	117	39	89	61	306

n Includes Corporate (including non-core real estate and equity investments), Mast, Henri Bendel and New York & Company (through November 27, 2002).

D As a result of its sale on November 27, 2002, New York & Company’s results have been reflected in discontinued operations and are excluded from net sales and operating income in 2002.

* Includes a $34 million special non-cash charge for the exchange of vested stock awards related to the IBI recombination.

15 SUBSEQUENT EVENT

On February 24, 2005, the Board of Directors of the Company authorized the repurchase of an additional $100 million of the Company’s common stock. Through March 23, 2005, 1.1 million shares have been repurchased under this program for $26.8 million, at an average price of $24.36 per share.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16 QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly financial data for 2004 and 2003 was as follows:

QUARTERLY FINANCIAL DATA (millions except per share amounts) 2004 QUARTERS	D FIRST	Ÿ SECOND	+ THIRD	☐ FOURTH
Net sales	**$ 1,978**	**$ 2,211**	**$ 1,891**	**$ 3,328**
Gross income	**676**	**798**	**614**	**1,290**
Net income	**97**	**148**	**78**	**382**
Net income per share:n				
Basic	**$ 0.19**	**$ 0.31**	**$ 0.17**	**$ 0.89**
Diluted	**0.19**	**0.31**	**0.16**	**0.87**

2003 QUARTERS	* FIRST	SECOND	* THIRD	FOURTH
Net sales	$ 1,842	$ 2,014	$ 1,847	$ 3,231
Gross income	612	702	595	1,342
Net income	*98*	*102*	*130*	*387*
Net income per share:n				
Basic	$ 0.19	$ 0.20	$ 0.25	$ 0.75
Diluted	0.19	0.19	0.25	0.74

n Due to changes in stock prices during the year and timing of issuances and repurchases of shares, the cumulative total of quarterly net income per share amounts may not equal the net income per share for the year.

D Includes a $45 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.

Ÿ Includes an $18 million pretax, non-operating gain resulting from the sale of the Company's remaining ownership interest in Galyan's.

+ Includes a $45 million pretax, non-operating gain resulting from the initial public offering of New York & Company.

☐ Includes a $61 million pretax non-cash charge to correct the Company's accounting for straight-line rent and the depreciation and amortization of leasehold improvements and certain landlord allowances.

* Includes pretax non-operating gains of $80 million and $128 million in the first quarter and the third quarter, respectively, related to the sale of the Company's entire ownership interest in ADS.

MANAGEMENT’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company’s internal control system is designed to provide reasonable assurance to the Company’s management and Board of Directors regarding the preparation and fair presentation of published financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company’s internal control over financial reporting as of January 29, 2005. In making this assessment, management used the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria).

Based on our assessment and the COSO criteria, management believes that the Company maintained effective internal control over financial reporting as of January 29, 2005.

The Company’s independent registered public accounting firm, Ernst & Young LLP, has issued an attestation report on management’s assessment of the Company’s internal control over financial reporting. Ernst & Young LLP’s report appears on the following page and expresses unqualified opinions on management’s assessment and on the effectiveness of the Company’s internal control over financial reporting.

REPORTS OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF LIMITED BRANDS, INC.:

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting that Limited Brands, Inc. maintained effective internal control over financial reporting as of January 29, 2005, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Limited Brands, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Limited Brands, Inc. maintained effective internal control over financial reporting as of January 29, 2005, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Limited Brands, Inc. maintained, in all material respects, effective internal control over financial reporting as of January 29, 2005, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Consolidated Balance Sheets of Limited Brands, Inc. as of January 29, 2005 and January 31, 2004, and the related Consolidated Statements of Income, Shareholders' Equity, and Cash Flows for the years then ended and our report dated March 23, 2005 expressed an unqualified opinion thereon.

/s/ Ernst &Young LLP
Columbus, Ohio
March 23, 2005

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF LIMITED BRANDS, INC.:

We have audited the accompanying Consolidated Balance Sheets of Limited Brands, Inc. and subsidiaries as of January 29, 2005 and January 31, 2004, and the related Consolidated Statements of Income, Shareholders' Equity, and Cash Flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The Consolidated Financial Statements of Limited Brands, Inc. and subsidiaries for the year ended February 1, 2003, were audited by other auditors whose report dated February 27, 2003, expressed an unqualified opinion on those statements and included an explanatory paragraph that disclosed the change in the Company's method of accounting for discontinued operations.

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

In our opinion, the fiscal year 2004 and 2003 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Limited Brands, Inc. and subsidiaries at January 29, 2005 and January 31, 2004, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Limited Brands, Inc.'s internal control over financial reporting as of January 29, 2005, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 23, 2005 expressed an unqualified opinion thereon.

/s/ Ernst &Young LLP
Columbus, Ohio
March 23, 2005

MARKET PRICE AND DIVIDEND INFORMATION

The Company's common stock is traded on the New York Stock Exchange (NYSE: LTD). On January 29, 2005, there were approximately 74,000 shareholders of record. However, when including active associates who participate in the Company's stock purchase plan, associates who own shares through Company-sponsored retirement plans and others holding shares in broker accounts under street names, the Company estimates the shareholder base to be approximately 210,000.

The Company's quarterly market prices and cash dividends per share for 2004 and 2003 were as follows:

MARKET PRICES AND CASH DIVIDENDS PER SHARE		MARKET PRICE HIGH	MARKET PRICE LOW	CASH DIVIDEND PER SHARE
Fiscal Year 2004	**Fourth quarter**	**$ 27.89**	**$ 22.03**	**n $ 1.35**
	Third quarter	**24.80**	**18.65**	**0.12**
	Second quarter	**21.04**	**18.34**	**0.12**
	First quarter	**21.65**	**18.21**	**0.12**
Fiscal Year 2003	Fourth quarter	$ 18.55	$ 16.68	$ 0.10
	Third quarter	17.83	14.82	0.10
	Second quarter	17.30	13.00	0.10
	First quarter	14.88	10.88	0.10

n Includes a special dividend of $1.23 per share.

Exhibit 21

SUBSIDIARIES OF THE REGISTRANT

Subsidiaries (a)	Jurisdiction of Incorporation
Express, LLC (b)	Delaware
The Limited Stores, Inc. (c)	Delaware
Henri Bendel, Inc. (d)	Delaware
Mast Industries, Inc. (e)	Delaware
Mast Industries (Far East) Limited (f)	Hong Kong
Limited Logistics Services, Inc. (g)	Delaware
Limited Service Corporation (h)	Delaware
Womanco, Inc. (i)	Delaware
Victoria's Secret Stores, Inc. (j)	Delaware
Victoria's Secret Direct, LLC (k)	Delaware
Bath & Body Works, Inc. (l)	Delaware
Intimate Beauty Corporation (m)	Delaware
Intimate Brands, Inc. (n)	Delaware

(a) The names of certain subsidiaries are omitted since such unnamed subsidiaries, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary as of January 29, 2005.

(b) Express, LLC is a wholly-owned subsidiary of Womanco, Inc., a Delaware corporation and a wholly-owned subsidiary of the registrant.

(c) The Limited Stores, Inc. is a wholly-owned subsidiary of Womanco, Inc., a Delaware corporation and a wholly-owned subsidiary of the registrant.

(d) Henri Bendel, Inc. is a wholly-owned subsidiary of Womanco, Inc., a Delaware corporation and a wholly-owned subsidiary of the registrant.

(e) Mast Industries, Inc. is a wholly-owned subsidiary of Mast Industries (Delaware), Inc., a Delaware corporation and a wholly-owned subsidiary of the registrant.

(f) Mast Industries (Far East) Limited is a wholly-owned subsidiary of Mast Industries (Overseas), Inc., which is a wholly-owned subsidiary of Mast Industries, Inc.

(g) Limited Logistics Services, Inc. is a wholly-owned subsidiary of the registrant.

(h) Limited Service Corporation is a majority owned subsidiary of Mast Industries (Overseas), Inc.

(i) Womanco, Inc. is a wholly-owned subsidiary of the registrant.

(j) Victoria's Secret Stores, Inc. is a wholly-owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly-owned subsidiary of the registrant.

(k) Victoria's Secret Direct, LLC is a wholly-owned subsidiary of Victoria's Secret Direct Holding LLC, a Delaware limited liability company, which is a wholly-owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly-owned subsidiary of the registrant.

(l) Bath & Body Works, Inc. is a wholly-owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly-owned subsidiary of the registrant.

(m) Intimate Beauty Corporation is a majority owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a wholly-owned subsidiary of the registrant.

(n) Intimate Brands, Inc. is a wholly-owned subsidiary of the registrant.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Limited Brands, Inc. of our reports dated March 23, 2005, with respect to the consolidated financial statements of Limited Brands, Inc., Limited Brands, Inc. management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting of Limited Brands, Inc., included in the 2004 Annual Report to Shareholders of Limited Brands, Inc.

We consent to the incorporation by reference in the following Registration Statements:

Registration Statement (Form S-8 No. 33-49871)

Registration Statement (Form S-8 No. 333-110465)

Registration Statement (Form S-8 No. 333-04927)

Registration Statement (Form S-8 No. 333-04941)

Registration Statement (Form S-8 No. 333-118407);

of our report dated March 23, 2005, with respect to the consolidated financial statements of Limited Brands, Inc. incorporated herein by reference, and our report dated March 23, 2005, with respect to Limited Brands, Inc. management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting of Limited Brands, Inc. incorporated by reference in this Annual Report (Form 10-K) for the year ended January 29, 2005.

/s/ Ernst & Young LLP

Columbus, Ohio
April 6, 2005

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 33-49871, 333-04927, 333-04941, 333-110465 and 333-118407) of Limited Brands, Inc. of our report dated February 27, 2003, relating to the financial statements, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Columbus, Ohio
April 6, 2005

Exhibit 24

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

The undersigned officer and/or director of Limited Brands, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its fiscal year ended January 29, 2005 under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, DC, hereby constitutes and appoints Leslie H. Wexner, Leonard A. Schlesinger and V. Ann Hailey, and each of them, with full powers of substitution and resubstitution, as attorney to sign for the undersigned in any and all capacities such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 28th day of January 2005.

/s/ LESLIE H. WEXNER
Leslie H. Wexner

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

The undersigned officer and/or director of Limited Brands, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its fiscal year ended January 29, 2005 under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, DC, hereby constitutes and appoints Leslie H. Wexner, Leonard A. Schlesinger and V. Ann Hailey, and each of them, with full powers of substitution and resubstitution, as attorney to sign for the undersigned in any and all capacities such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 28th day of January 2005.

/s/ EUGENE M. FREEDMAN
Eugene M. Freedman

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

The undersigned officer and/or director of Limited Brands, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its fiscal year ended January 29, 2005 under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, DC, hereby constitutes and appoints Leslie H. Wexner, Leonard A. Schlesinger and V. Ann Hailey, and each of them, with full powers of substitution and resubstitution, as attorney to sign for the undersigned in any and all capacities such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 28th day of January 2005.

/s/ E. GORDON GEE
E. Gordon Gee

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

The undersigned officer and/or director of Limited Brands, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its fiscal year ended January 29, 2005 under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, DC, hereby constitutes and appoints Leslie H. Wexner, Leonard A. Schlesinger and V. Ann Hailey, and each of them, with full powers of substitution and resubstitution, as attorney to sign for the undersigned in any and all capacities such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 28th day of January 2005.

/s/ V. ANN HAILEY
V. Ann Hailey

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

The undersigned officer and/or director of Limited Brands, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its fiscal year ended January 29, 2005 under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, DC, hereby constitutes and appoints Leslie H. Wexner, Leonard A. Schlesinger and V. Ann Hailey, and each of them, with full powers of substitution and resubstitution, as attorney to sign for the undersigned in any and all capacities such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 28th day of January 2005.

/s/ JAMES L. HESKETT
James L. Heskett

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

The undersigned officer and/or director of Limited Brands, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its fiscal year ended January 29, 2005 under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, DC, hereby constitutes and appoints Leslie H. Wexner, Leonard A. Schlesinger and V. Ann Hailey, and each of them, with full powers of substitution and resubstitution, as attorney to sign for the undersigned in any and all capacities such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 28th day of January 2005.

/s/ DONNA A. JAMES
Donna A. James

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

The undersigned officer and/or director of Limited Brands, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its fiscal year ended January 29, 2005 under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, DC, hereby constitutes and appoints Leslie H. Wexner, Leonard A. Schlesinger and V. Ann Hailey, and each of them, with full powers of substitution and resubstitution, as attorney to sign for the undersigned in any and all capacities such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 28th day of January 2005.

/s/ DAVID T. KOLLAT
David T. Kollat

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

The undersigned officer and/or director of Limited Brands, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its fiscal year ended January 29, 2005 under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, DC, hereby constitutes and appoints Leslie H. Wexner, Leonard A. Schlesinger and V. Ann Hailey, and each of them, with full powers of substitution and resubstitution, as attorney to sign for the undersigned in any and all capacities such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 28th day of January 2005.

/s/ WILLIAM R. LOOMIS, JR.
William R. Loomis, Jr.

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

The undersigned officer and/or director of Limited Brands, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its fiscal year ended January 29, 2005 under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, DC, hereby constitutes and appoints Leslie H. Wexner, Leonard A. Schlesinger and V. Ann Hailey, and each of them, with full powers of substitution and resubstitution, as attorney to sign for the undersigned in any and all capacities such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 28th day of January 2005.

/s/ LEONARD A. SCHLESINGER
Leonard A. Schlesinger

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

The undersigned officer and/or director of Limited Brands, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its fiscal year ended January 29, 2005 under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, DC, hereby constitutes and appoints Leslie H. Wexner, Leonard A. Schlesinger and V. Ann Hailey, and each of them, with full powers of substitution and resubstitution, as attorney to sign for the undersigned in any and all capacities such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 28th day of January 2005.

/s/ DONALD B. SHACKELFORD
Donald B. Shackelford

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

The undersigned officer and/or director of Limited Brands, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its fiscal year ended January 29, 2005 under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, DC, hereby constitutes and appoints Leslie H. Wexner, Leonard A. Schlesinger and V. Ann Hailey, and each of them, with full powers of substitution and resubstitution, as attorney to sign for the undersigned in any and all capacities such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 28th day of January 2005.

/s/ ALLAN R. TESSLER
Allan R. Tessler

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

The undersigned officer and/or director of Limited Brands, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its fiscal year ended January 29, 2005 under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, DC, hereby constitutes and appoints Leslie H. Wexner, Leonard A. Schlesinger and V. Ann Hailey, and each of them, with full powers of substitution and resubstitution, as attorney to sign for the undersigned in any and all capacities such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 28th day of January 2005.

/s/ ABIGAIL S. WEXNER
Abigail S. Wexner

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

The undersigned officer and/or director of Limited Brands, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its fiscal year ended January 29, 2005 under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, DC, hereby constitutes and appoints Leslie H. Wexner, Leonard A. Schlesinger and V. Ann Hailey, and each of them, with full powers of substitution and resubstitution, as attorney to sign for the undersigned in any and all capacities such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 28th day of January 2005.

/s/ RAYMOND ZIMMERMAN
Raymond Zimmerman

Exhibit 31.1

Section 302 Certification

I, Leslie H. Wexner, certify that:

1. I have reviewed this annual report on Form 10-K 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (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: April 8, 2005

Exhibit 31.2

Section 302 Certification

I, V. Ann Hailey, certify that:

1. I have reviewed this annual report on Form 10-K 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (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: April 8, 2005

Exhibit 32

Section 906 Certification

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. (the “Company”), each certifies that, to the best of his or her knowledge:

(i) the Annual Report of the Company on Form 10-K dated April 8, 2005 for the fiscal year ended January 29, 2005, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(ii) the information contained in the said Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

/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: April 8, 2005

Exhibit 99.1

LIMITED BRANDS, INC.
CAUTIONARY STATEMENTS RELATING TO FORWARD-LOOKING INFORMATION

The Company and its representatives may, from time to time, make written or verbal forward-looking statements. Those statements relate to developments, results, conditions, or other events the Company expects or anticipates will occur in the future. Without limiting the foregoing, those statements may relate to future revenues, earnings, store openings, market conditions, and the competitive environment. Forward-looking statements are based on management's then-current views and assumptions and, as a result, are subject to risks and uncertainties, including those described below, which may be outside of the Company's control and that could cause actual results to differ materially from those projected. The following risks are not the only ones facing the Company and additional risks and uncertainties may also develop that impair the Company's business operations.

All forward-looking statements are qualified by the following which, if they develop into actual events, would have a material adverse effect on the Company's business, financial condition or results of operations. In addition, investors in the Company should consider the following risk factors, as well as the other information contained herein.

The Company's revenue and profit results are sensitive to general economic conditions, consumer confidence and spending patterns.

The Company's growth, sales and profitability may be adversely affected by negative local, regional, national or international political or economic trends or developments that shake consumer confidence, including the effects of national and international security concerns such as war, terrorism or the threat thereof. Purchases of women's and men's apparel, women's intimate apparel, personal care products and accessories often decline during periods when economic or market conditions are unsettled or weak. In such circumstances, the Company may increase the number of promotional sales, which would further adversely affect its profitability.

The Company's net sales, operating income and inventory levels fluctuate on a seasonal basis.

The Company experiences major seasonal fluctuations in its net sales and operating income, with a significant portion of its operating income typically realized during the fourth quarter holiday season. Any decrease in sales or margins during this period could have a disproportionate effect on the Company's financial condition and results of operations. In addition, changes in weather patterns may affect the Company's sales.

Seasonal fluctuations also affect the Company's inventory levels, since it usually orders merchandise in advance of peak selling periods and sometimes before new fashion trends are confirmed by customer purchases. The Company must carry a significant amount of inventory, especially before the holiday season selling period.

If the Company is not successful in selling inventory during the holiday period, it may have to sell the inventory at significantly reduced prices or it may not be able to sell the inventory at all.

The Company may be unable to compete favorably in its highly competitive segment of the retail industry.

The sale of intimate and other apparel, personal care products and accessories is highly competitive. Increased competition could result in price reductions, increased marketing expenditures and loss of market share, any of which could have a material adverse effect on the Company's financial condition and results of operations.

The Company competes for sales with a broad range of other retailers, including individual and chain fashion specialty stores and department stores. In addition to the traditional store-based retailers, the Company also competes with direct marketers that sell similar lines of merchandise, who target customers through catalogues and e-commerce. Direct marketers also include traditional store-based retailers like the Company who are competing in the catalogue and e-commerce distribution channels. The Company's direct response business competes with numerous national and regional catalogue and e-commerce merchandisers. Brand image, marketing, fashion design, price, service, quality, image presentation and fulfillment are all competitive factors in catalogue and e-commerce sales.

Some of the Company's competitors may have greater financial, marketing and other resources available to them. In many cases, the Company's primary competitors sell their products in department stores that are located in the same shopping malls as the Company's stores. In addition to competing for sales, the Company competes for favorable site locations and lease terms in shopping malls.

The Company may not be able to keep up with fashion trends and may not be able to launch new product lines successfully.

The Company's success depends in part on management's ability to effectively anticipate and respond to changing fashion tastes and consumer demands and to translate market trends into appropriate, saleable product offerings far in advance. Customer tastes and fashion trends change rapidly. If the Company is unable to successfully anticipate, identify or react to changing styles or trends and misjudges the market for its products or any new product lines, the Company's sales will be lower and it may be faced with a significant amount of unsold finished goods inventory. In response, the Company may be forced to increase its marketing promotions or price markdowns, which could have a material adverse effect on its business. The Company's brand image may also suffer if customers believe merchandise misjudgments indicate that the Company is no longer able to offer the latest fashions.

The Company may lose key personnel.

The Company believes that it has benefited substantially from the leadership and experience of its senior executives, including Leslie H. Wexner (its Chairman of the Board of Directors and Chief Executive Officer). The loss of the services of any of these individuals could have a material adverse effect on the business and prospects of the Company. The Company's future success will also depend on its ability to recruit, train and retain other qualified personnel. Competition for key personnel in the retail industry is intense.

The Company's manufacturers may be unable to manufacture and deliver products in a timely manner or meet quality standards.

The Company purchases apparel through its wholly-owned subsidiary, Mast, a contract manufacturer and apparel importer, as well as through other contract manufacturers and importers and directly from third-party manufacturers. Personal care, fragrance and beauty products are also purchased through other contract manufacturers and importers and directly from third-party manufacturers. Similar to most other specialty retailers, the Company has narrow sales windows for much of its inventory. Factors outside the Company's control, such as manufacturing or shipping delays or quality problems, could disrupt merchandise deliveries and result in lost sales, cancellation charges or excessive markdowns.

The Company relies significantly on foreign sources of production.

The Company purchases apparel merchandise directly in foreign markets and in the domestic market, some of which is manufactured overseas. The Company does not have any long-term merchandise supply contracts and many of its imports are subject to a variety of customs regulations and international trade arrangements, including existing or potential duties, tariffs or quotas. The Company competes with other companies for production facilities and import quota capacity.

The Company also faces a variety of other risks generally associated with doing business in foreign markets and importing merchandise from abroad, such as:

- political instability;
- imposition of new legislation or rules relating to imports that may limit the quantity of goods which may be imported into the United States from countries in a particular region;
- imposition of duties, taxes, and other charges on imports;
- currency and exchange risks;

- local business practice and political issues, including issues relating to compliance with domestic or international labor standards which may result in adverse publicity;
- potential delays or disruptions in shipping and related pricing impacts; and
- disruption of imports by labor disputes.

New initiatives may be proposed that may have an impact on the trading status of certain countries and may include retaliatory duties or other trade sanctions which, if enacted, would increase the cost of products purchased from suppliers in such countries.

In addition, significant health hazards or environmental or natural disasters may occur in Asia and elsewhere which could have a negative effect on the economies, financial markets and business activity in Asia and elsewhere. The Company's purchases of merchandise from Asian manufacturing operations may be affected by this risk.

The future performance of the Company will depend upon these and the other factors listed above which are beyond its control. These factors may have a material adverse effect on the business of the Company.

The Company depends on a high volume of mall traffic and the availability of suitable lease space.

Many of the Company's stores are located in shopping malls. Sales at these stores are derived, in part, from the high volume of traffic in those malls. The Company's stores benefit from the ability of the mall's "anchor" tenants, generally large department stores, and other area attractions to generate consumer traffic in the vicinity of its stores and the continuing popularity of malls as shopping destinations. Sales volume and mall traffic may be adversely affected by economic downturns in a particular area, competition from non-mall retailers and other malls where the Company does not have stores and the closing of anchor department stores. In addition, a decline in the desirability of the shopping environment in a particular mall, or a decline in the popularity of mall shopping among the Company's target consumers, would adversely affect its business.

Part of the Company's future growth is significantly dependent on its ability to operate stores in desirable locations with capital investment and lease costs that allow the Company to earn a reasonable return. The Company cannot be sure as to when or whether such desirable locations will become available at reasonable costs.

Increases in costs of mailing, paper and printing may affect the Company's business.

Postal rate increases and paper and printing costs will affect the cost of the Company's order fulfillment and catalogue and promotional mailings. The Company relies on discounts from the basic postal rate structure, such as discounts for bulk mailings and sorting by zip code and carrier routes. Future paper and postal rate increases could adversely impact the Company's earnings if it was unable to pass such increases directly onto its customers or offset such increases by raising prices or by implementing more efficient printing, mailing, delivery and order fulfillment systems.

The Company's stock price may be volatile.

The Company's stock price may fluctuate substantially as a result of quarter to quarter variations in the actual or anticipated financial results of the Company or other companies in the retail industry or markets served by the Company. In addition, the stock market has experienced price and volume fluctuations that have affected the market price of many retail and other stocks and that have often been unrelated or disproportionate to the operating performance of these companies.

The Company may be unable to service its debt.

The Company may be unable to service its debt drawn under its credit facilities and/or any other debt it incurs. Additionally, the agreements related to such debt require the Company to maintain certain financial ratios which limit the total amount the Company may borrow, and also prohibit certain types of liens on property or assets.