

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended October 30, 1999

OR

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

For the transition period from _____ to _____

Commission file number 1-8344

THE LIMITED, INC.

(Exact name of registrant as specified in its charter)

Delaware

31-1029810

(State or other jurisdiction of
incorporation or organization)

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

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

(Address of principal executive offices) (Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required
to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934
during the preceding 12 months (or for such shorter period that the registrant
was required to file such reports), and (2) has been subject to such filing
requirements for the past 90 days.

Yes No

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

Common Stock, \$.50 Par Value

Outstanding at November 29, 1999

214,813,582 Shares

THE LIMITED, INC.

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PART 1 - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

THE LIMITED, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(Thousands except per share amounts)
(Unaudited)

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	October 30, 1999	October 31, 1998	October 30, 1999	October 31, 1998
Net sales	\$2,064,105	\$1,999,862	\$ 6,436,724	\$ 6,091,040
Costs of goods sold and buying and occupancy costs	(1,386,501)	(1,383,119)	(4,365,190)	(4,272,913)
Gross income	677,604	616,743	2,071,534	1,818,127
General, administrative and store operating expenses	(585,110)	(535,757)	(1,777,934)	(1,604,416)
Special and nonrecurring items, net	-	-	(13,075)	1,740,030
Operating income	92,494	80,986	280,525	1,953,741
Interest expense	(20,412)	(17,074)	(57,361)	(49,229)
Other income	9,655	12,561	37,495	44,309
Minority interest	(5,992)	(6,118)	(27,003)	(26,659)
Gain on sale of subsidiary stock	11,002	-	11,002	-
Income before income taxes	86,747	70,355	244,658	1,922,162
Provision for income taxes	46,000	31,000	118,000	119,000
Net income	\$ 40,747	\$ 39,355	\$ 126,658	\$ 1,803,162
Net income per share:				
Basic	\$ 0.19	\$ 0.17	\$ 0.57	\$ 7.34
Diluted	\$ 0.18	\$ 0.17	\$ 0.54	\$ 7.18
Dividends per share	\$ 0.15	\$ 0.13	\$ 0.45	\$ 0.39

The accompanying notes are an integral part of these consolidated financial statements.

THE LIMITED, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Thousands)

	October 30, 1999 ----- (Unaudited)	January 30, 1999 -----	October 31, 1998 ----- (Unaudited)
ASSETS -----			
Current assets:			
Cash and equivalents	\$ 173,303	\$ 870,317	\$ 64,799
Accounts receivable	129,670	77,715	101,474
Inventories	1,420,899	1,119,670	1,568,996
Store supplies	97,679	98,797	95,169
Other	179,862	151,685	92,286
	-----	-----	-----
Total current assets	2,001,413	2,318,184	1,922,724
Property and equipment, net	1,254,875	1,361,761	1,468,092
Restricted cash	-	351,600	351,600
Deferred income taxes	172,241	48,782	70,517
Other assets	459,024	469,381	475,314
	-----	-----	-----
Total assets	\$ 3,887,553 =====	\$ 4,549,708 =====	\$ 4,288,247 =====
 LIABILITIES AND SHAREHOLDERS' EQUITY -----			
Current liabilities:			
Accounts payable	\$ 391,248	\$ 289,947	\$ 419,939
Current portion of long-term debt	200,000	100,000	100,000
Accrued expenses	637,910	681,515	689,752
Income taxes	19,920	176,473	45,423
	-----	-----	-----
Total current liabilities	1,249,078	1,247,935	1,255,114
Long-term debt	650,000	550,000	550,000
Other long-term liabilities	56,471	56,010	57,776
Minority interest	51,716	110,860	94,075
Contingent stock redemption agreement	-	351,600	351,600
Shareholders' equity:			
Common stock	189,727	180,352	180,352
Paid-in capital	162,574	157,214	149,819
Retained earnings	5,873,796	5,537,033	5,315,969
	-----	-----	-----
	6,226,097	5,874,599	5,646,140
Less: treasury stock, at average cost	(4,345,809)	(3,641,296)	(3,666,458)
	-----	-----	-----
Total shareholders' equity	1,880,288	2,233,303	1,979,682
	-----	-----	-----
Total liabilities and shareholders' equity	\$ 3,887,553 =====	\$ 4,549,708 =====	\$ 4,288,247 =====

The accompanying notes are an integral part of these consolidated financial statements.

THE LIMITED, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Thousands)

(Unaudited)

	Thirty-nine Weeks Ended	
	October 30, 1999	October 31, 1998
Operating activities:		
Net income	\$ 126,658	\$ 1,803,162
Impact of other operating activities on cash flows:		
Sale of subsidiary stock, net of tax	2,198	-
Depreciation and amortization	208,348	214,146
Special and nonrecurring items, net	7,845	(1,705,030)
Minority interest, net of dividends paid	10,775	9,262
Changes in assets and liabilities:		
Accounts receivable	(57,651)	(19,055)
Inventories	(424,256)	(602,993)
Accounts payable and accrued expenses	117,174	177,510
Income taxes	(296,241)	(121,890)
Other assets and liabilities	5,346	(67,777)
	(299,804)	(312,665)
Net cash used for operating activities		
Investing activities:		
Net proceeds (expenditures) related to Easton real estate investment	(15,888)	33,658
Proceeds from sale of Galyan's common stock and property	170,200	-
Capital expenditures	(288,993)	(286,320)
Decrease in restricted cash	351,600	-
Proceeds from sale of interest in investee	-	131,262
	216,919	(121,400)
Net cash provided from (used for) investing activities		
Financing activities:		
Repayment of note payable	(100,000)	-
Proceeds from floating rate notes	300,000	-
Repurchase of common stock, including transaction costs	(751,482)	(43,095)
Repurchase of Intimate Brands, Inc. common stock	(62,639)	(106,046)
Dividends paid	(98,268)	(94,783)
Settlement of Limited Too and Abercrombie & Fitch intercompany accounts	12,000	(47,649)
Dividend received from Limited Too	50,000	-
Stock options and other	36,260	44,042
	(614,129)	(247,531)
Net cash used for financing activities		
Net decrease in cash and equivalents	(697,014)	(681,596)
Cash and equivalents, beginning of year	870,317	746,395
	\$ 173,303	\$ 64,799
Cash and equivalents, end of period		

In 1999, noncash financing activities include a \$25 million reduction to retained earnings in connection with the spin-off of Limited Too (see note 8).

In 1998, noncash financing activities included the addition of \$1.766 billion treasury stock as a result of the exchange of 40.5 million common shares of Abercrombie & Fitch ("A&F") previously owned by the Company for 47.1 million shares of common stock of the Company. Additional noncash financing activities included a \$5.6 million dividend effected by a pro rata spin-off of the Company's remaining shares of A&F (see note 8).

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Presentation

The consolidated financial statements include the accounts of The Limited, Inc. (the "Company") and all significant subsidiaries which are more than 50 percent owned and controlled. All significant intercompany balances and transactions have been eliminated in consolidation. The consolidated financial statements include the results of Abercrombie & Fitch ("A&F") through May 19, 1998, when it was established as an independent company, Limited Too ("Too") through August 23, 1999, when it was established as an independent company, and Galyan's Trading Co. through August 31, 1999, when a third party purchased a majority interest.

Investments in other entities (including joint ventures) where the Company has the ability to significantly influence operating and financial policies, including Galyan's Trading Co. for periods after August 31, 1999, are accounted for on the equity method.

Certain amounts on previously reported financial statement captions have been reclassified to conform with current period presentation.

The consolidated financial statements as of and for the thirteen and thirty-nine week periods ended October 30, 1999 and October 31, 1998 are unaudited and are presented pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, these consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's 1998 Annual Report on Form 10-K. In the opinion of management, the accompanying consolidated financial statements reflect all adjustments (which are of a normal recurring nature except as discussed in Note 8) necessary to present fairly the financial position and results of operations and cash flows for the interim periods, but are not necessarily indicative of the results of operations for a full fiscal year.

The consolidated financial statements as of and for the thirteen and thirty-nine week periods ended October 30, 1999 and October 31, 1998 included herein have been reviewed by the independent public accounting firm of PricewaterhouseCoopers LLP and the report of such firm follows the Notes to Consolidated Financial Statements.

2. Shareholders' Equity and Earnings Per Share

On June 3, 1999, the Company completed an issuer tender offer by purchasing 15 million shares of its common stock at \$50 per share. Additionally, on May 3, 1999, the Contingent Stock Redemption Agreement was rescinded, making the \$351.6 million in restricted cash available for general corporate purposes. This cash and other available funds were used to purchase shares under the issuer tender offer.

Weighted average common shares outstanding (thousands):

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	October 30, 1999	October 31, 1998	October 30, 1999	October 31, 1998
Common shares issued	379,454	379,454	379,454	379,454
Treasury shares	(164,743)	(152,141)	(158,296)	(133,693)
Basic shares	214,711	227,313	221,158	245,761
Dilutive effect of stock options and restricted shares	8,173	3,739	8,394	5,403
Diluted shares	222,884	231,052	229,552	251,164

The computation of earnings per diluted share excludes options to purchase 0.5 million and 4.9 million shares of common stock that were outstanding at quarter-end for 1999 and 1998, because the options' exercise price was greater than the average market price of the common shares.

3. Inventories

The fiscal year of the Company and its subsidiaries is comprised of two principal selling seasons: Spring (the first and second quarters) and Fall (the third and fourth quarters). Valuation of finished goods inventories is based principally upon the lower of average cost or market determined on a first-in, first-out basis, using the retail method. Inventory valuation at the end of the first and third quarters reflects adjustments for inventory markdowns and shrinkage estimates for the total selling season.

4. Property and Equipment, Net

Property and equipment, net, consisted of (thousands):

	October 30, 1999 -----	January 30, 1999 -----	October 31, 1998 -----
Property and equipment, at cost	\$ 2,943,637	\$ 3,014,084	\$ 3,109,144
Accumulated depreciation and amortization	(1,688,762) -----	(1,652,323) -----	(1,641,052) -----
Property and equipment, net	\$ 1,254,875 =====	\$ 1,361,761 =====	\$ 1,468,092 =====

5. Income Taxes

The provision for income taxes is based on the current estimate of the annual effective tax rate, and for the thirteen and thirty-nine weeks ended October 30, 1999, includes \$13 million associated with the Galyan's Trading Co. transaction (see Note 8). Income taxes paid during the thirty-nine weeks ended October 30, 1999 and October 31, 1998 approximated \$398.0 million and \$203.5 million.

The Internal Revenue Service (IRS) has assessed the Company for additional taxes for the years 1992 to 1994 relating to the undistributed earnings of foreign affiliates for which the Company has provided deferred taxes. On September 7, 1999, the United States Tax Court sustained the position of the IRS with respect to the 1992 tax year. In connection with an appeal of the Tax Court judgment, the Company made a \$112 million payment of taxes and interest for the years 1992 to 1998 that reduced deferred tax liabilities. Management believes the ultimate resolution of this matter will not have a material adverse effect on the Company's results of operations or financial condition.

6. Financing Arrangements

Unsecured long-term debt consisted of (thousands):

	October 30, 1999	January 30, 1999	October 31, 1998
	-----	-----	-----
7 1/2% Debentures due March 2023	\$ 250,000	\$ 250,000	\$ 250,000
7 4/5% notes due May 2002	150,000	150,000	150,000
9 1/8% notes due February 2001	150,000	150,000	150,000
8 7/8% notes due August 1999	-	100,000	100,000
Floating rate notes	300,000	-	-
	-----	-----	-----
	850,000	650,000	650,000
Less: current portion of long-term debt	200,000	100,000	100,000
	-----	-----	-----
	\$ 650,000	\$ 550,000	\$ 550,000
	=====	=====	=====

In May 1999, the Company issued \$300 million of floating rate notes, consisting of three individual series (Series A, B and C) of \$100 million each. The notes are senior, unsecured obligations and bear interest based on LIBOR, payable quarterly in arrears.

The notes were originally repayable as follows: Series A due May 2000, Series B due November 2000 and Series C due May 2001. However, on November 22, 1999, the Company redeemed the Series A and Series B notes. Accordingly, these notes are included in the current portion of long-term debt at October 30, 1999. The Company, at its option, may redeem the remaining Series C notes (in their entirety) on any interest payment date, at par plus accrued and unpaid interest, if any.

The Company maintains a \$1 billion unsecured revolving credit agreement (the "Agreement"), under which no amounts were outstanding at October 30, 1999. Borrowings outstanding under the Agreement, if any, are due September 28, 2002. However, the revolving term of the Agreement may be extended an additional two years upon notification by the Company on September 29, 2001, subject to the approval of the lending banks. The Agreement has several borrowing options, including interest rates which are based on either the lender's "Base Rate," as defined, LIBOR, CD-based options or at a rate submitted under a bidding process. Facilities fees payable under the Agreement are based on the Company's long-term credit ratings, and currently approximate 0.1% of the committed amount per annum. The Agreement contains covenants relating to the Company's working capital, debt and net worth.

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

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

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

Interest paid during the thirty-nine weeks ended October 30, 1999 and October 31, 1998 approximated \$64.1 million and \$57.5 million.

7. Segment Information

The Company identifies operating segments based on a business's operating characteristics. Reportable segments were determined based on similar economic characteristics, the nature of products and services, and the method of distribution. The apparel segment derives its revenues from sales of women's and men's apparel. The Intimate Brands segment derives its revenues from sales of women's intimate and other apparel, and personal care products and accessories. Sales outside the United States were immaterial.

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

As a result of its spin-off, the operating results of Limited Too were reclassified from the apparel segment to the "Other" category for all periods presented. The operating results of Galyan's Trading Co. are included in the "Other" category. However, subsequent to August 31, 1999, the Company includes only its 40% share of Galyan's income or loss.

Segment information as of and for the thirteen and thirty-nine weeks ended October 30, 1999 and October 31, 1998 follows (in thousands):

1999	Apparel Businesses	Intimate Brands	Other (a)	Reconciling Items	Total
Thirteen weeks:					
Net sales	\$1,170,214	\$ 814,158	\$ 79,733	-	\$2,064,105
Intersegment sales	145,945	-	-	\$(145,945) (b)	-
Operating income (loss)	21,640	71,158	(304)	-	92,494
Thirty-nine weeks:					
Net sales	3,311,146	2,709,088	416,490	-	6,436,724
Intersegment sales	412,270	-	-	(412,270) (b)	-
Operating income (loss)	(2,224)	306,190	(10,366)	(13,075) (d)	280,525
Total assets	1,223,470	1,438,851	1,781,459	(556,227) (c)	3,887,553
1998	Apparel Business	Intimate Brands	Other (a)	Reconciling Items	Total
Thirteen weeks:					
Net sales	\$ 1,135,581	\$ 708,985	\$ 155,296	-	\$1,999,862
Intersegment sales	125,925	-	-	\$(125,925) (b)	-
Operating income (loss)	(2,720)	70,618	13,088	-	80,986
Thirty-nine weeks:					
Net sales	3,166,145	2,354,561	570,334	-	6,091,040
Intersegment sales	330,225	-	-	(330,225) (b)	-
Operating income (loss)	(90,351)	266,953	37,109	1,740,030 (e)	1,953,741
Total assets	1,449,296	1,234,914	1,631,468	(27,431) (c)	4,288,247

- (a) Included in the "Other" category are Henri Bendel, Limited Too (through August 23, 1999), Galyan's Trading Co. (only 40% subsequent to August 31, 1999), A&F (through May 19, 1998), non-core real estate, and corporate, none of which are significant operating segments.
- (b) Represents intersegment sales elimination.
- (c) Represents intersegment receivable/payable elimination.
- (d) 1999 special and nonrecurring item: a \$13.1 million second quarter charge for transaction costs related to the Limited Too spin-off, which relates to the "Other" category.
- (e) 1998 special and nonrecurring items: 1) a \$1.651 billion second quarter tax-free gain on the split-off of A&F; 2) a \$93.7 million first quarter gain from the sale of the Company's remaining interest in Brylane; and 3) a \$5.1 million first quarter charge for severance and other associate termination costs related to the closing of Henri Bendel stores. These special items relate to the "Other" category.

8. Special Items

Effective August 31, 1999, an affiliate of Freeman, Spogli & Co. (together with Galyan's Trading Co. management) purchased a 60% interest in Galyan's Trading Co., with the Company retaining a 40% interest. In addition, the Company sold certain property for \$59 million to a third party, which then leased the property to Galyan's under operating leases. The Company received total cash proceeds from these transactions of approximately \$170 million, as well as subordinated debt and warrants of \$20 million from Galyan's. The transactions resulted in a third quarter pretax gain on sale of subsidiary stock of \$11 million, offset by a \$6 million provision for taxes. In addition, the revised tax basis of the Company's remaining investment in Galyan's resulted in an additional \$7 million deferred tax expense.

On July 15, 1999, the Company's Board of Directors approved a formal plan to spin-off Limited Too. The record date for the spin-off was August 11, 1999, with The Limited, Inc. shareholders receiving one share of Too, Inc. (successor company to Limited Too) common stock for every seven shares of The Limited common stock held on that date. The spin-off was completed on August 23, 1999. The Company recorded the spin-off by reducing retained earnings by \$25 million, which represents the carrying value of the net assets underlying the common stock distributed. As part of the transaction, the Company received from Limited Too a \$50 million dividend and a \$12 million repayment of advances. During the second quarter of 1999, the Company recorded a \$13.1 million special and nonrecurring charge for transaction costs related to the spin-off.

On May 19, 1998, the Company completed a tax-free exchange offer to establish A&F as an independent company. A total of 47.1 million shares of the Company's common stock were exchanged at a ratio of .86 of a share of A&F common stock for each Limited share tendered. In connection with the exchange, the Company recorded a \$1.651 billion tax-free gain. This gain was measured based on the \$43 5/8 per share market value of the A&F common stock at the expiration date of the exchange offer. In addition, on June 1, 1998 a \$5.6 million dividend was effected through a pro rata spin-off to shareholders of the Company's remaining 3.1 million A&F shares.

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

As a result of a plan adopted in connection with a 1997 review of the Company's retail businesses and investments as well as implementation of initiatives intended to promote and strengthen the Company's various retail brands (including closing businesses, identification and disposal of non-core assets and identification of store locations not

consistent with a particular brand), the Company recognized special and nonrecurring charges of \$276 million during the fourth quarter of 1997, which included store closing and lease termination liabilities of \$107 million, of which \$18 million and \$32 million were paid in 1999 and 1998, leaving a \$57 million liability at October 30, 1999.

The \$57 million liability relates principally to future payments and estimated settlement amounts for store closings and downsizings and will continue until final payments to landlords are made, currently scheduled through the year 2016. Unless settlements with landlords occur before the end of such lease periods, completion will run the full lease term. In determining the provision for lease obligations, the Company considered the amount of time remaining on each store's lease and estimated the amount necessary for either buying out the lease or continuing rent payments through lease expiration.

No accruals related to these charges were reversed or recorded in operating income during 1999 or 1998.

Report of Independent Accountants

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

We have reviewed the condensed consolidated balance sheets of The Limited, Inc. and Subsidiaries (the "Company") at October 30, 1999 and October 31, 1998, and the related condensed consolidated statements of income for each of the thirteen and thirty-nine week periods ended October 30, 1999 and October 31, 1998 and the condensed consolidated statements of cash flows for the thirty-nine week periods ended October 30, 1999 and October 31, 1998. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet as of January 30, 1999, and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 23, 1999, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of January 30, 1999, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Columbus, Ohio
November 16, 1999

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

RESULTS OF OPERATIONS

Net sales for the third quarter of 1999 increased 3% to \$2.064 billion from \$2.000 billion in 1998. Operating income increased 14.2% to \$92.5 million from \$81.0 million in 1998, primarily the result of improved performances at the Company's apparel businesses. Net income was \$40.7 million in 1999 and \$39.3 million in 1998, and earnings per share was \$0.18 in 1999 and \$0.17 in 1998. In the third quarter of 1999, the Company recognized an \$11.0 million pretax gain on the third party purchase of a 60% majority interest in Galyan's Trading Co. See the "Other Data" section that follows for further discussion of this item and its impact on third quarter earnings.

Third quarter business highlights include the following:

- . The apparel businesses continued their 1999 progress, with an \$18.1 million improvement in operating income for the quarter. Merchandise margins were up and buying and occupancy expenses were leveraged by strong sales growth and closing of low productivity stores. Comparable store sales increases of 11% at Lerner, 7% at Lane Bryant, 9% at Limited Stores and 8% at Structure, also contributed to the improved third quarter performance.
- . Intimate Brands, Inc. ("IBI") reported earnings per diluted share of \$0.15 in both 1999 and 1998 (adjusted for the 5% stock dividend declared June 22, 1999). Operating income was \$71.2 million in 1999 compared to \$70.6 million in 1998 and net income was \$37.9 million in 1999 versus \$39.7 million in 1998. Comparable store sales increases of 16% at Victoria's Secret Stores and 10% at Bath & Body Works were partially offset by a 5% sales decrease at Victoria's Secret Catalogue.
- . The Company completed the spin-off of Limited Too on August 23, 1999, and a third party purchased a 60% majority interest in Galyan's Trading Co. effective August 31, 1999.

Net sales for the thirty-nine weeks ended October 30, 1999 were \$6.437 billion, an increase of 6% from \$6.091 billion in 1998. Operating income was \$280.5 million in 1999 and \$1.954 billion in 1998. Net income was \$126.7 million in 1999 and \$1.803 billion in 1998, and earnings per share was \$0.54 in 1999 and \$7.18 in 1998. In 1999, the Company recognized an \$11 million third quarter pretax gain on the third party purchase of a 60% majority interest in Galyan's Trading Co., and a \$13.1 million second quarter charge for transaction costs related to the Limited Too spin-off. In 1998, the Company recognized a \$1.651 billion second quarter gain from the split-off of A&F, a \$93.7 million first quarter gain from the sale of the Company's remaining interest in Brylane, Inc., and a \$5.1 million first quarter charge for severance and other associate termination costs at Henri Bendel. See the "Special Items" and "Other Data" sections that follow for further discussion of these items and their impact on year-to-date earnings.

Financial Summary

The following summarized financial and statistical data compares the thirteen week and thirty-nine week periods ended October 30, 1999 to the comparable 1998 periods:

	Third Quarter			Year - to - Date		
	1999	1998	Change	1999	1998	Change
Net Sales (millions):						
Express	\$ 361	\$ 357	1%	\$ 965	\$ 910	6%
Lerner New York	233	218	7%	689	636	8%
Lane Bryant	213	209	2%	673	649	4%
Limited Stores	177	181	(2%)	508	522	(3%)
Structure	147	140	5%	409	393	4%
Other (principally Mast)	39	31	N/M	67	56	N/M
Total apparel businesses	\$1,170	\$1,136	3%	\$3,311	\$3,166	5%
Victoria's Secret Stores	\$ 423	\$ 352	20%	\$1,331	\$1,126	18%
Victoria's Secret Catalogue	124	130	(5%)	543	531	2%
Bath & Body Works	260	218	19%	821	677	21%
Other	7	9	N/M	14	21	N/M
Total Intimate Brands	\$ 814	\$ 709	15%	\$2,709	\$2,355	15%
Henri Bendel	11	10	10%	29	30	(3%)
Galyan's Trading Co. (a)	27	48	(44%)	165	130	27%
Limited Too (a)	42	97	(57%)	223	254	(12%)
Abercrombie & Fitch (a)	-	-	-	-	156	(100%)
Total net sales	\$2,064	\$2,000	3%	\$6,437	\$6,091	6%
Operating Income (millions):						
Apparel businesses	\$ 22	\$ (3)	833%	\$ (2)	\$ (90)	98%
Intimate Brands	71	71	0%	306	267	15%
Other	(1)	13	(108%)	(10)	37	(127%)
Subtotal	92	81	14%	294	214	37%
Special and nonrecurring items	-	-	-	(13) (b)	1,740 (c)	(101%)
Total operating income	\$ 92	\$ 81	14%	\$ 281	\$1,954	(86%)

(a) Limited Too was spun-off on August 23, 1999, and a third party purchased a 60% majority interest in Galyan's effective August 31, 1999. The Abercrombie & Fitch business was split-off effective May 19, 1998 via a tax-free exchange offer. Results up to these dates are included in the consolidated financial statements.

(b) 1999 special and nonrecurring item: a \$13.1 million second quarter charge for Limited Too spin-off transaction costs, which relates to the "Other" category.

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

N/M Not meaningful

	Third Quarter			Year - to - Date		
	1999	1998	Change	1999	1998	Change
Increase (Decrease) in Comparable Store Sales:						
Express	3%	15%		9%	17%	
Lerner New York	11%	(1%)		13%	7%	
Lane Bryant	7%	(2%)		8%	4%	
Limited Stores	9%	7%		8%	1%	
Structure	8%	(2%)		7%	(7%)	
Total apparel businesses	7%	5%		9%	6%	
Victoria's Secret Stores	16%	4%		14%	4%	
Bath & Body Works	10%	6%		11%	3%	
Total Intimate Brands	13%	4%		13%	3%	
Henri Bendel	13%	(2%)		9%	(15%)	
Galyan's Trading Co. (a)	N/M	5%		9%	3%	
Limited Too (a)	N/M	11%		9%	17%	
Abercrombie & Fitch (a)	-	-		-	48%	
Total other businesses	13%	8%		9%	17%	
Total comparable store sales increase	9%	5%		10%	6%	
Store Data:						
Retail sales increase (decrease) attributable to net new and remodeled (closed) stores:						
Apparel businesses	(4%)	(3%)		(4%)	(2%)	
Intimate Brands	7%	7%		8%	8%	
Retail Sales per average selling square foot:						
Apparel businesses	\$ 64	\$ 57	11%	\$ 180	\$ 158	13%
Intimate Brands	\$ 111	\$ 101	10%	\$ 357	\$ 327	9%
Retail sales per average store (thousands):						
Apparel businesses	\$ 371	\$ 333	11%	\$1,051	\$ 925	14%
Intimate Brands	\$ 338	\$ 312	8%	\$1,091	\$1,013	8%
Average store size at end of quarter (selling square feet):						
Apparel businesses	5,831	5,845	0%			
Intimate Brands	3,052	3,080	(1%)			
Retail selling square feet at end of quarter (thousands):						
Apparel businesses	17,626	19,173	(8%)			
Intimate Brands	6,264	5,716	10%			
Number of Stores:						
Beginning of period	5,358	5,441		5,382	5,640	
Opened	81	72		224	195	
Disposal of Galyan's, Limited Too and A&F (a)	(353)	-		(353)	(159)	
Closed	(25)	(51)		(192)	(214)	
End of period	5,061	5,462		5,061	5,462	

(a) Limited Too was spun-off on August 23, 1999, and a third party purchased a 60% majority interest in Galyan's effective August 31, 1999. The Abercrombie & Fitch business was split-off effective May 19, 1998 via a tax-free exchange offer. Results up to these dates are included in the consolidated financial statements.

N/M Not meaningful

	Number of Stores			Selling Sq. Ft. (thousands)		
	October 30, 1999	October 31, 1998	Change	October 30, 1999	October 31, 1998	Change
Express	690	706	(16)	4,440	4,535	(95)
Lerner New York	624	677	(53)	4,798	5,195	(397)
Lane Bryant	695	770	(75)	3,377	3,740	(363)
Limited Stores	487	593	(106)	2,989	3,577	(588)
Structure	511	534	(23)	2,022	2,126	(104)
Total apparel businesses	3,007	3,280	(273)	17,626	19,173	(1,547)
Victoria's Secret Stores	887	812	75	3,924	3,662	262
Bath & Body Works	1,166	1,044	122	2,340	2,054	286
Total Intimate Brands	2,053	1,856	197	6,264	5,716	548
Henri Bendel	1	1	-	35	35	-
Galyan's Trading Co. (a)	-	14	(14)	-	947	(947)
Limited Too (a)	-	311	(311)	-	983	(983)
Total stores and selling square feet	5,061	5,462	(401)	23,925	26,854	(2,929)

(a) See description under table on previous page.

Net Sales

Net sales for the third quarter of 1999 increased 3% to \$2.064 billion from \$2.000 billion in 1998. A 9% comparable store sales increase was partially offset by: 1) the loss of Limited Too sales following the August 23, 1999 spin-off; 2) the exclusion of Galyan's sales following the third party purchase of a 60% majority interest effective August 31, 1999; and 3) the closure of stores in the apparel segment.

At the apparel businesses, net sales for the third quarter of 1999 increased 3% to \$1.170 billion from \$1.136 billion in 1998. The overall 7% increase in comparable store sales at the apparel businesses was partially offset by a net closure of 273 stores.

At IBI, net sales for the third quarter of 1999 increased 15% to \$814.2 million from \$709.0 million in 1998, primarily due to a 13% comparable store sales increase. The balance of the increase was due to the net addition of 197 new stores.

Year-to-date net sales increased 6% to \$6.437 billion from \$6.091 billion in 1998. A 10% comparable store sales increase was partially offset by: 1) the loss of A&F sales following the May 19, 1998 split-off; 2) the loss of Limited Too sales following the August 23, 1999 spin-off; and 3) the closure of stores in the apparel segment.

Gross Income

The third quarter gross income rate (expressed as a percentage of sales) increased to 32.8% in 1999 from 30.8% in 1998. The gross income rate increased 1.6% at the apparel businesses, primarily due to an increase in merchandise margin rate and buying and occupancy expense leverage. IBI's gross income rate increased to 39.7% from 38.8%, primarily due to an increase in merchandise margin rate and positive buying and occupancy expense leverage (particularly at Victoria's Secret Stores).

The 1999 year-to-date gross income rate increased 2.4% to 32.2% in 1999 from 29.8% in 1998, attributable to an increase in merchandise margin rate at both the apparel businesses and IBI and

positive buying and occupancy expense leverage.

General, Administrative and Store Operating Expenses

The third quarter general, administrative and store operating expense rate (expressed as a percentage of sales) increased to 28.3% in 1999 from 26.8% in 1998, primarily due to an increase at IBI. The rate increase at IBI was primarily due to an increase in national advertising investment for the Victoria's Secret brand and increased training and merchandising costs at Bath & Body Works. The rate was essentially flat at the apparel businesses, as investments in brand building activities, particularly at Express, were offset by savings at Limited Stores and Structure.

The 1999 year-to-date general, administrative and store operating expense rate increased to 27.6% from 26.3% in 1998. In addition to the reasons discussed above, the rate increase was driven by investment in infrastructure and by relocation costs and higher operating costs associated with moving the Victoria's Secret's beauty business to New York City.

Special Items

Effective August 31, 1999, a third party purchased a 60% majority interest in Galyan's Trading Co. As a result, the Company recorded a related pretax gain on sale of subsidiary stock of \$11 million, offset by a \$6 million provision for taxes. In addition, the revised tax basis of the Company's remaining investment in Galyan's resulted in an additional \$7 million deferred tax expense (see Note 8 to the Consolidated Financial Statements).

During the second quarter of 1999, the Company recognized a \$13.1 million special and nonrecurring charge for transaction costs related to the Limited Too spin-off (see Note 8 to the Consolidated Financial Statements).

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

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

As a result of a plan adopted in connection with a 1997 review of the Company's retail businesses and investments as well as implementation of initiatives intended to promote and strengthen the Company's various retail brands (including closing businesses, identification and disposal of non-core assets and identification of store locations not consistent with a particular brand), the Company recognized special and nonrecurring charges of \$276 million during the fourth quarter of 1997. These charges included store closing and lease termination liabilities of \$107 million, of which \$18 million and \$32 million were paid in 1999 and 1998, leaving a \$57 million liability at October 30, 1999.

The remaining \$57 million liability relates principally to future payments and estimated settlement amounts for store closings and downsizings and will continue until final payments to landlords are made, currently scheduled through the year 2016. Unless settlements with landlords occur before the end of such lease periods, completion will run the full lease term. In determining the provision for lease obligations, the Company considered the amount of time remaining on each store's lease and estimated the amount necessary for either buying out the lease or continuing rent payments through lease expiration.

No accruals related to these charges were reversed or recorded in operating income during 1999 or 1998.

The \$276 million charge taken in 1997 also included \$86 million of impairment charges, which reduced depreciation by approximately \$18 million in fiscal year 1998 and will have a similar impact in fiscal year 1999.

Operating Income

The third quarter operating income rate (expressed as a percentage of sales) increased to 4.5% in 1999 from 4.0% in 1998. The improvement was driven by the gross income rate increase of 2.0%, more than offsetting the increase in general, administrative and store operating expense rate of 1.5%. The entire operating income increase resulted from improvements at the apparel businesses.

The year-to-date operating income rate was 4.4% in 1999, including \$(13.1) million, or (.2%), in special and nonrecurring expense. The year-to-date operating income rate was 32.1% in 1998, including \$1.651 billion, or 28.6%, in special and nonrecurring income. Excluding special and nonrecurring items, the improvement in the operating income rate from 3.5% to 4.6% was driven by the gross income rate increase of 2.4%, more than offsetting the increase in the general, administrative and store operating expense rate of 1.3%. The rate improvement was driven by higher margins at the apparel businesses, while IBI was able to maintain its 1998 operating income rate of 11.3%.

Interest Expense

	Third Quarter		Year-to-Date	
	1999	1998	1999	1998
Average borrowings (millions)	\$1,079	\$ 840	\$ 967	\$ 776
Average effective interest rate	7.57%	8.12%	7.90%	8.46%

Compared to 1998, interest expense increased \$3.4 million in the third quarter and \$8.1 million year-to-date. The increases were due primarily to increased borrowings, partially offset by a lower average effective interest rate.

Other Income

Compared to 1998, other income decreased \$2.9 million in the third quarter and \$6.8 million year-to-date. The decreases were due to lower average invested cash balances, principally due to the \$750 million share repurchase, and to lower interest rates on 1999 balances.

Other Data

The Company recorded special items in 1999 and 1998 that impacted the comparability of the Company's earnings per share data and are more fully described in the "Special Items" section herein and in Note 8 to the Consolidated Financial Statements.

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

Excluding special items in both years and reflecting the A&F split-off and Limited Too spin-off as if they had occurred at the beginning of 1998, third quarter net income increased 16% to \$40.8 million from \$35.1 million in 1998, and earnings per share increased 20% to \$0.18 from \$0.15. For the thirty-nine weeks ended October 30, 1999 and October 31, 1998, net income

increased 52% to \$133.0 million from \$87.0 million in 1998 and earnings per share increased 54% to \$0.57 from \$0.37. The special items excluded were as follows:

- . In 1999, an \$11.0 million third quarter pretax gain, related to the third party purchase of a 60% majority interest in Galyan's Trading Co., was offset by a \$6.0 million provision for taxes on the gain. In addition, the revised tax basis of the Company's remaining Galyan's investment resulted in an additional \$7.0 million deferred tax expense.
- . In 1999, a \$13.1 million second quarter charge for transaction costs related to the Limited Too spin-off to shareholders of record on August 11, 1999.
- . In 1998, a \$1.651 billion second quarter tax-free gain on the split-off of A&F, a \$93.7 million first quarter gain from the sale of the Company's remaining interest in Brylane and a \$5.1 million first quarter charge for severance and other associate termination costs related to the closing of Henri Bendel stores.

FINANCIAL CONDITION

A more detailed discussion of liquidity, capital resources and capital requirements follows.

Liquidity and Capital Resources

Cash provided from operating activities, commercial paper backed by funds available under the committed long-term credit agreement and the Company's capital structure continue to provide the capital resources to support operations, including projected growth, seasonal requirements and capital expenditures. A summary of the Company's working capital position and capitalization follows (thousands):

	October 30, 1999	January 30, 1999	October 31, 1998
	-----	-----	-----
Working capital	\$ 752,335	\$1,070,249	\$ 667,610
	=====	=====	=====
Capitalization:			
Long-term debt	\$ 650,000	\$ 550,000	\$ 550,000
Shareholders' equity	1,880,288	2,233,303	1,979,682
	-----	-----	-----
Total capitalization	\$2,530,288	\$2,783,303	\$2,529,682
	=====	=====	=====
Additional amounts available under long-term credit agreements	\$1,000,000	\$1,000,000	\$1,000,000
	=====	=====	=====

In addition, the Company may offer up to \$250 million of debt securities and warrants to purchase debt securities under its shelf registration statement.

Net cash used for operating activities was \$299.8 million for the thirty-nine weeks ended October 30, 1999 versus \$312.7 million used for operating activities last year. Significant uses of cash in both years relate to the growth of inventories for the Fall selling seasons and the payment of tax accruals related to the fourth quarter of the prior year. The cash used for inventories was lower in 1999 than 1998 because of lower Fall inventories at the apparel businesses, including the impact of closed stores. Additionally, in the third quarter of 1999, the Company made a \$112 million payment of taxes and interest related to an Internal Revenue Service assessment (see Note 5 to the Consolidated Financial Statements).

Investing activities in 1999 included the rescission of the Contingent Stock Redemption Agreement; and \$170.2 million in proceeds from the third party purchase of a 60% majority

interest in Galyan's Trading Co. and the sale of related property; and capital expenditures, primarily for new and remodeled stores. In 1998, major investing activities included capital expenditures and \$131.2 million in proceeds from the sale of the Company's remaining investment in Brylane, Inc.

Financing activities in 1999 included proceeds of \$300 million from floating rate notes issued in May 1999 as well as the repayment of \$100 million of term debt in August 1999. Additionally, the rescission of the Contingent Stock Redemption Agreement made \$351.6 million in restricted cash available for general corporate purposes. This cash and other available funds were used to repurchase shares under the self-tender, which was funded June 14, 1999. A total of 15 million shares of the Company's common stock were repurchased at \$50 per share, resulting in a cash outflow of \$750 million plus transaction costs. Cash used for financing activities in 1999 also reflected the IBI stock repurchase initiated during January 1999. During 1999, IBI repurchased 1.5 million shares from its public shareholders for \$62.6 million. Additionally, IBI repurchased 8.2 million shares from The Limited at the same weighted average per share price, with no net cash flow impact to The Limited. Financing activities also reflected a \$50 million dividend and a \$12 million repayment of advances to Limited Too in connection with the August 23, 1999 spin-off. In addition, financing activities included an increase in the quarterly dividend from \$0.13 per share to \$0.15 per share, which was partially offset by a lower number of outstanding shares.

On November 22, 1999, the Company redeemed the \$100 million Series A floating rate notes originally repayable in May 2000, and the \$100 million Series B floating rate notes originally repayable in November 2000.

Capital Expenditures
- - - - -

Capital expenditures totaled \$289.0 million for the thirty-nine weeks ended October 30, 1999, compared to \$286.3 million for the same period in 1998. The Company anticipates spending \$400 to \$420 million for capital expenditures in 1999, of which \$280 to \$300 million will be for new stores and for remodeling of and improvements to existing stores. These amounts include capital expenditures related to Galyan's and Limited Too prior to their divestiture.

The Company expects that 1999 capital expenditures will be funded primarily by net cash provided by operating activities.

INFORMATION SYSTEMS AND "YEAR 2000" COMPLIANCE

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

Readiness

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In order to address the Year 2000 issue, the Company established a program management office to oversee, monitor and coordinate the company-wide Year 2000 effort. This office has developed and is implementing a Year 2000 plan. The implementation includes five stages:

- . awareness, which includes identifying risks and conducting an education program regarding Year 2000 issues
- . assessment, which primarily includes establishing project resources, developing a Year 2000 renovation strategy, completing a company-wide inventory of information technology and determining the necessary training and testing facility requirements
- . renovation/development, which includes the analysis of existing information systems, the design of remediation activities and the coding of necessary remedies
- . validation, which primarily includes system testing
- . implementation, which includes the placement of renovated systems "in production" and training end users

There are four areas of focus:

- . Renovation of legacy systems. The Company's ten operating businesses have completed all five stages of Year 2000 implementation for renovation of legacy systems.
- . Installation of new software packages to replace selected legacy systems at five of the Company's ten operating businesses. Replacement of these significant legacy systems with new software packages is complete.

- . Assessment of Year 2000 readiness at key vendors and suppliers. A vast network of vendors, suppliers and service providers located both within and outside the United States provide the Company with merchandise for resale, supplies for operational purposes and services. The Company identified key vendors, suppliers and service providers, and sent Year 2000 surveys to 400 of these vendors to determine their Year 2000 status. A total of 370 vendors responded and indicated that they will be Year 2000 compliant. Based upon the results of the surveys, the Company selected twenty-one vendors for on-site visits to further assess the vendors' progress and estimated compliance dates. Each of the Company's businesses has considered the results of the vendor surveys and on-site visits during the development of its contingency plan.
- . Evaluating facilities and distribution equipment with embedded computer technology. The Company uses various facilities and distribution equipment with embedded computer technology, such as conveyors, elevators, and security systems, fire protection systems and energy management systems. All our remediation efforts are complete.

Cost to Address the Year 2000 Issue

Total expenditures incurred from 1997 through October 30, 1999 related to remediation, testing, conversion, replacement and upgrading system applications were \$80 million, and incremental expenses totaled \$15 million. Total costs included expenditures associated with the development of an internal testing center, which has enabled the Company to perform comprehensive testing of newly renovated systems by processing transactions as if they had occurred in the Year 2000. This internal testing process was used to develop the risk and cost estimates described in the "Information Systems and `Year 2000' Compliance" section of the Form 10-Q.

In addition to the previously described costs, significant internal payroll costs (not separately identified) were incurred relating to the Company's Year 2000 initiatives. These payroll costs include the efforts by approximately 500 employees of the Company's information technology division, representing approximately three-fourths of the total information technology budgeted hours for the Year 2000 project. In addition, the Company engaged external consultants to assist it with program management and new software package implementation, which represent the remaining hours. The Company has allocated approximately 15% of its information technology budget for the period from Fall 1997 through Fall 1999 toward Year 2000 remediation efforts.

Total remaining expenditures are expected to range from \$5 to \$10 million during 1999 and 2000. Total incremental expenses, including depreciation and amortization of new package systems, remediation to bring current systems into compliance, and writing off legacy systems are not expected to have a material impact on the Company's financial condition during 1999 and 2000.

Reasonably Likely Worst Case Scenario and Contingency Plans

The Company believes that the reasonably likely worst case scenario would involve short-term disruption of systems affecting its supply and distribution channels. The Company and its individual operating businesses have substantially completed the development of contingency plans that identify actions to be taken if any critical systems or services are interrupted. The Company's businesses have considered various contingency plans, such as alternative sourcing and accelerated delivery of merchandise from foreign suppliers, and operational alternatives, including manual processes. In addition, the Company plans to have key managerial, operational and technical support personnel available to identify and remedy any disruption that may occur during the transition to the new millennium.

At the present time, the Company is not aware of any Year 2000 issues that are expected to affect materially its products, services, competitive position or financial performance. Additionally, the Company has not postponed any significant information technology projects due to the Year 2000 project. Thus, the Company does not believe that the delay of any projects

has had a material impact on its financial condition and results of operations. However, despite the Company's significant efforts to make its systems, facilities and equipment Year 2000 compliant, the compliance of third party service providers and vendors (including, for instance, governmental entities and utility companies) is beyond the Company's control. Accordingly, the Company can give no assurances that the failure of technology infrastructure of the United States (or other systems, such as utilities, of general importance), foreign nations or other companies on which the Company's systems rely, or the failure of key suppliers or other third parties to comply with Year 2000 requirements, will not have a material adverse effect on the Company.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION ACT OF 1995

The Company cautions that any forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) contained in this Form 10-Q or made by management of the Company involve risks and uncertainties and are subject to change based on various important factors, many of which may be beyond the Company's control. Accordingly, the Company's future performance and financial results may differ materially from those expressed or implied in any such forward-looking statements. Among other things, certain of the foregoing statements as to costs and dates relating to the Year 2000 effort are forward-looking and are based on the Company's current best estimates that may be proven incorrect as additional information becomes available. The Company's Year 2000-related forward-looking statements are also based on assumptions about many important factors, including the technical skills of employees and independent contractors, the representations and preparedness of third parties, the ability of vendors to deliver merchandise or perform services required by the Company and the collateral effects of the Year 2000 issues on the Company's business partners and customers. While the Company believes its assumptions are reasonable, it cautions that it is impossible to predict factors that could cause actual costs or timetables to differ materially from the expected results. In addition to Year 2000 issues, the following factors, among others, in some cases have affected and in the future could affect the Company's financial performance and actual results and could cause actual results for 1999 and beyond to differ materially from those expressed or implied in any forward-looking statements included in this Form 10-Q or otherwise made by management: changes in consumer spending patterns, consumer preferences and overall economic conditions, the impact of competition and pricing, changes in weather patterns, political stability, currency and exchange risks and changes in existing or potential duties, tariffs or quotas, availability of suitable store locations at appropriate terms, ability to develop new merchandise and ability to hire and train associates.

Item 1. LEGAL PROCEEDINGS

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

On November 13, 1997, the United States District Court for the Southern District of Ohio, Eastern Division, dismissed with prejudice an amended complaint that had been filed against the Company and certain of its subsidiaries by the American Textile Manufacturers Institute ("ATMI"), a textile industry trade association. The amended complaint alleged that the defendants violated the federal False Claims Act by submitting false country of origin declarations to the U.S. Customs Service. On November 26, 1997, ATMI served a motion to alter or amend judgment and a motion to disqualify the presiding judge and to vacate the order of dismissal. The motion to disqualify was denied on December 22, 1997, but as a matter of his personal discretion, the presiding judge elected to recuse himself from further proceedings and this matter was transferred to a judge of the United States District Court for the Southern District of Ohio, Western Division. On May 21, 1998, this judge denied all pending motions seeking to alter, amend or vacate the judgment that had been entered in favor of the Company. On June 5, 1998, ATMI appealed to the United States Court of Appeals for the Sixth Circuit. On September 14, 1999, the United States Court of Appeals for the Sixth Circuit affirmed the order of dismissal. ATMI's petition for rehearing and suggestion for rehearing en banc were denied on November 2, 1999.

On January 13, 1999, two complaints were filed against the Company and its subsidiary, Lane Bryant, Inc., as well as other defendants, including many national retailers. Both complaints relate to labor practices allegedly employed on the island of Saipan, Commonwealth of the Northern Mariana Islands, by apparel manufacturers unrelated to the Company (some of which have sold goods to the Company) and seek injunctions, unspecified monetary damages, and other relief. One complaint, on behalf of a class of unnamed garment workers, filed in the United States District Court for the Central District of California, Western Division, alleges violations of federal statutes, the United States Constitution, and international law. On March 29, 1999, a motion was filed to transfer this action to the United States District Court located on Saipan, and on April 12, 1999, a motion to dismiss the complaint for failure to state a claim upon which relief can be granted was filed. On September 29, 1999, the United States District Court for the Central District of California, Western Division, transferred the case to the United States District Court for the District of Hawaii. The Company, along with certain other defendants, has filed a petition for a writ of mandamus in the Ninth Circuit Court of Appeals seeking an order holding that the transfer of the case to the United States District Court for the District of Hawaii was in error and ordering that the case be transferred to the United States District Court on Saipan. The motion to dismiss the complaint for failure to state a claim upon which relief can be granted remains pending. The second complaint, filed by a national labor union and other organizations in the Superior Court of the State of California, San Francisco County, alleges unfair business practices under California law. On March 29, 1999, a motion (called a "demurrer") seeking dismissal of this complaint was filed. On September 3, 1999, portions of the demurrer were overruled and the plaintiffs were given leave to amend other portions of the complaint. A First Amended Complaint was filed on September 23, 1999, and a second demurrer was filed on October 6, 1999. On November 22, 1999, the demurrer to the First Amended Complaint was overruled.

In May and June 1999, alleged shareholders of the Company filed three purported derivative actions in the Court of Chancery of the State of Delaware, naming the members of the Company's board of directors as defendants and the Company as nominal defendant. The three actions have been consolidated. The operative complaint in the consolidated action generally alleges that the rescission of the

Contingent Stock Redemption Agreement constituted a waste of corporate assets and a breach of the board members' fiduciary duties, and that the issuer tender offer completed on June 3, 1999 was a "wasteful transaction in its own right." The complaint seeks monetary damages in an unspecified amount from the members of the Company's board of directors. On July 30, 1999, the defendants moved to dismiss the complaint. Plaintiffs have not yet responded to that motion.

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

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

11. Statement re: Computation of Per Share Earnings.
12. Statement re: Computation of Ratio of Earnings to Fixed Charges.
15. Letter re: Unaudited Interim Financial Information to Securities and Exchange Commission re: Incorporation of Report of Independent Accountants.
27. Financial Data Schedule.

(b) Reports on Form 8-K.

None.

SIGNATURE

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

THE LIMITED, INC.
(Registrant)

By /s/ V. Ann Hailey

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

Date: December 10, 1999

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

THE LIMITED, INC. AND SUBSIDIARIES

RATIO OF EARNINGS TO FIXED CHARGES

(Thousands except ratio amounts)

	Thirty-nine Weeks Ended	
	October 30, 1999	October 31, 1998
Adjusted Earnings -----		
Pretax earnings	\$244,658	\$1,922,162
Portion of minimum rent (\$524,857 in 1999 and \$546,662 in 1998) representative of interest	174,952	182,221
Interest on indebtedness	57,361	49,229
Minority interest	27,003	26,659
	-----	-----
Total earnings as adjusted	\$503,974	\$2,180,271
	=====	=====
Fixed Charges -----		
Portion of minimum rent representative of interest	\$174,952	\$ 182,221
Interest on indebtedness	57,361	49,229
	-----	-----
Total fixed charges	\$232,313	\$ 231,450
	=====	=====
Ratio of earnings to fixed charges	2.17x	9.42x
	=====	=====
Ratio of earnings to fixed charges excluding special and nonrecurring items and gain on sale of subsidiary stock	2.18x	1.90x
	=====	=====

Securities and Exchange Commission
450 5th Street, N.W.
Judiciary Plaza
Washington, D.C. 20549

Commissioners:

We are aware that our report dated November 16, 1999 on our review of the interim consolidated financial information of The Limited, Inc. and Subsidiaries (the "Company") as of and for the thirteen and thirty-nine week periods ended October 30, 1999 and included in this Form 10-Q is incorporated by reference in the Company's registration statements on Form S-8, Registration Nos. 33-18533, 33-25005, 2-92277, 33-24829, 33-24507, 33-24828, 2-95788, 2-88919, 33-24518, 33-6965, 33-14049, 33-22844, 33-44041, 33-49871, 333-04927, 333-04941, and the registration statements on Form S-3, Registration Nos. 33-20788, 33-31540, 33-43832, and 33-53366. Pursuant to Rule 436(c) under the Securities Act of 1933, this report should not be considered a part of the registration statement prepared or certified by us within the meaning of Sections 7 and 11 of that Act.

Very truly yours,

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Columbus, Ohio
December 9, 1999

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

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3-MOS		
	JAN-29-2000	
	AUG-01-1999	
	OCT-30-1999	
		173,303
		0
		129,670
		0
		1,420,899
		2,001,413
		2,943,637
		1,688,762
		3,887,553
	1,249,078	
		650,000
	0	
		0
		189,727
		1,690,561
3,887,553		
		2,064,105
	2,064,105	
		1,386,501
		1,386,501
		585,110
		0
		20,412
		86,747
		46,000
	40,747	
		0
		0
		0
		40,747
		.19
		.18