# Limitedbrands

Proxy Statement for the
2010 Annual Meeting of Stockholders
and 2009 Annual Report

Dear Partner,

Twelve months ago, the world was upside down. The fear, and the reasons for it, were very real. How low would the markets go? How many banks would fail? Would the American automobile industry go bankrupt? What about falling home prices or mounting job losses? What about you and me?

The concerns were valid. They linger still. Would another shoe drop? If so, when? The thinking was as pessimistic as I have ever seen. It felt like a complete meltdown. Everyone was paralyzed.

There were so many reasons to worry, but I had to get past them. Worrying wouldn't improve the situation. It takes you to a dark, pessimistic place. One you can't lead from.

So I made a real effort to not worry, particularly about things outside our control. Instead choosing to plan and focus on the things we could influence, get back to fundamentals, and simply get better at everything we could control. Period.

When you grow up and live your life in Columbus, Ohio, The Ohio State University, and our football team, are major influences. I'm a proud alum, a Trustee, a Buckeye through and through.

Jim Tressel, the Buckeye's head football coach, is a terrific and thoughtful teacher. Plain spoken and smart. I am always fascinated by his post-game remarks. Whether Ohio State wins or loses, captures the Big Ten Championship, the Rose Bowl or even the National Championship, he always says the same thing: "We need to get better."

He consistently compliments his competitor. He learns from victory and defeat.

We must too.

Always staying humble and curious. Learning from wins and losses. Simply, getting better.

As 2009 began, I was very focused on "getting better" and what it meant to us. Re-emphasizing the fundamentals. Precise priorities. Getting, and keeping, our inventories lean and fresh. Maximizing our time, every day, week and month. Looking for, and finding, every opportunity. Tightening calendars, creating bigger ideas and productive actions that influence decisions. Disciplined and fresh thinking. Constantly striving for better and faster. Deliberately focusing everyone on what we'd do, and, as importantly, what we wouldn't do.

We had to be frugal with resources, time and money. And we were. We streamlined the business, stayed lean and quick, and concentrated all our efforts on the few things that could produce the biggest returns—the few that produce the many.

Most of all, as fashion retailers, we needed to get even closer to the customer. More travel and more time in stores. More observation, understanding and insight. Retailing is a "contact sport." You have to be in physical contact with the customer. Seeing what she buys, what shopping bags she carries. Real world, in real time. Not research or analysis.

That was the game plan we laid out, and we executed to it.

And by doing all that, 2009 went from a problem to a year of opportunity. In the "fierce urgency of now," we refocused our thinking, ourselves, our entire team, on what makes our brands, in my view, the best and most sustainable in the world. I've said it before, and I believe it now more than ever: I wouldn't trade brands or businesses with any of our competitors. I believe in our brands, and our leaders, and have confidence in our customers and our unique emotional connection to them.

We delivered better-than-expected profits across 2009, particularly in the fourth quarter, where our comps increased by 1 percent, and gross margins, operating income and earnings per share increased dramatically.

What does this tell me? When you have negligible sales increases, with substantial increases in margin and income, you're getting better. Better assortments, better execution and better customer focus. Simply put, getting better at giving the customer what she wants.

Our narrow focus on big opportunities, clear and few priorities, quick decisions and clear connection to customers were all key to our improved results.

Our operating margins also improved significantly, to about 10 percent of sales. A better result, with room for improvement. We're focused on getting operating margins to 15 percent and believe we can get there within three years through the power of our brands and the intensity of our focus.

We have terrific brands, with loyal customers. Victoria's Secret is one of the best, and most recognized, brands in the world. And Bath and Body Works is the dominant beauty and personal care specialty retailer in the United States. They are our powerhouses, with enormous growth potential, both domestically and internationally, ahead of them. In fact, we are already beginning to see early international success with Bath and Body Works, and most recently, Pink, in Canada.

Pink, with about $1 billion in domestic sales, is just beginning to realize its potential, as is La Senza. And Henri Bendel is beginning to gain traction. Strong brands, with bright futures.

With great brands comes great responsibility. Coach Tressel teaches, "It matters how you play the game." He's right. I have always believed the measure of an individual, or an organization, is how they respond to adversity. Pressure tests convictions. When it's easy to opt out, or quit, or think selfishly, how do you behave? When it's easy to say "no," do you still say "yes"?

We always strive to do the right thing. 2009 was a tough year for many, but that simply meant our commitments to community, customers, associates, suppliers and vendors were all the more important. The world was unpredictable, but we were stable and safe. And everyone we touch needed to know they could rely on us.

So we continued, as a business and individuals, to be major contributors to United Way and other community organizations. Our associates volunteered tens of thousands of hours to local agencies, we responded immediately to the Haiti Relief Fund and we financially supported more than 200 non-profits. We never pulled back on anything. I'm really proud of that, and so are our associates.

For 2010, and the future, we will continue to be careful and focused, and conservative in our thinking, with a major emphasis on speed and flexibility. We'll be frugal with our resources, time and money. We'll use our instincts and intuition to be even faster, and we'll stay even closer to the customer.

Like Coach Jim Tressel, I'm proud of all the players on our team. We too have a long tradition of success, and a constant determination to get better and better and better. That's the game, and our game plan. Simple, but not easy.

Thanks to all of you.

Sincerely,

Leslie H. Wexner
Chairman and CEO

Proxy Statement

# Notice of Annual Meeting of Stockholders and Proxy Statement

May 27, 2010

Limitedbrands

**Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on May 27, 2010: The proxy statement and annual report to stockholders are available at *http://www.proxyvote.com*.**

Limitedbrands

April 7, 2010

DEAR STOCKHOLDER:

You are cordially invited to attend our 2010 annual meeting of stockholders to be held at 9:00 a.m., Eastern Time, on May 27, 2010, at our offices located at Three Limited Parkway, Columbus, Ohio 43230. Our Investor Relations telephone number is 614-415-6400 should you require assistance in finding the location of the meeting. The formal Notice of Annual Meeting of Stockholders and proxy statement are attached. If you plan to attend, please bring the Admittance Slip located after the Company Information page and a picture I.D., and review the attendance information provided. I hope that you will be able to attend and participate in the meeting, at which time I will have the opportunity to review the business and operations of Limited Brands.

The matters to be acted upon by our stockholders are discussed in the Notice of Annual Meeting of Stockholders. It is important that your shares be represented and voted at the meeting. Accordingly, after reading the attached proxy statement, would you kindly sign, date and return the enclosed proxy card or vote by telephone or via the Internet as described on the enclosed proxy card. Your vote is important regardless of the number of shares you own.

Sincerely yours,

Leslie H. Wexner
Chairman of the Board

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Limitedbrands

# NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

**May 27, 2010**

April 7, 2010

TO OUR STOCKHOLDERS:

We are pleased to invite you to attend our 2010 annual meeting of stockholders to:

- Elect four directors to serve for a three-year term as described in the accompanying proxy statement.
- Ratify the appointment of our independent registered public accountants.
- Transact such other business as may properly come before the meeting.

Stockholders of record at the close of business on March 29, 2010 may vote at the meeting. **If you plan to attend, please bring the Admittance Slip located after the Company Information page and a picture I.D., and review the attendance information provided.**

Your vote is important. Stockholders of record can give proxies by calling a toll-free telephone number, by using the Internet or by mailing their signed proxy cards. Whether or not you plan to attend the meeting, please vote by telephone or via the Internet or sign, date and return the enclosed proxy card in the envelope provided. Instructions are included on your proxy card. You may change your vote by submitting a later dated proxy (including a proxy via telephone or the Internet) or by attending the meeting and voting in person.

By Order of the Board of Directors

Leslie H. Wexner
Chairman of the Board

## PROXY STATEMENT TABLE OF CONTENTS

Information About the Annual Meeting and Voting . . . . 1
Proposal 1: Election of Directors . . . . 4
Proposal 2: Ratification of the Appointment of Independent Registered Public Accountants . . . . 11
Compensation-Related Matters . . . . 12
Compensation Discussion and Analysis . . . . 12
Summary Compensation Table . . . . 23
Grants of Plan-Based Awards for Fiscal 2009 . . . . 25
Outstanding Equity Awards at Fiscal Year-End for Fiscal 2009 . . . . 27
Option Exercises and Stock Vested Information For Fiscal 2009 . . . . 29
Retirement and Other Post-Employment Benefits . . . . 30
Fiscal 2009 Director Compensation . . . . 36
Report of the Compensation Committee . . . . 37
Security Ownership of Directors and Management . . . . 38
Section 16(a) Beneficial Ownership Reporting Compliance . . . . 40
Share Ownership of Principal Stockholders . . . . 41
Report of the Audit Committee . . . . 42
Independent Registered Public Accountants . . . . 43
Other Matters . . . . 44
Stockholder Proposals for Next Year . . . . 44
Solicitation Expenses . . . . 44

# INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

The Board of Directors of Limited Brands, Inc. is soliciting your proxy to vote at our 2010 annual meeting of stockholders (or at any adjournment of the meeting). This proxy statement summarizes the information you need to know to vote at the meeting. "We," "our," "Limited Brands" and the "Company" refer to Limited Brands, Inc.

We began mailing this proxy statement and the enclosed proxy card, or the Notice of Internet Availability of Proxy Materials (the "Notice"), on or about April 16, 2010 to all stockholders entitled to vote. Limited Brands' 2009 Annual Report on Form 10-K, which includes our financial statements, is being sent with this proxy statement and is available in paper copy by request or in electronic form.

### *Date, Time and Place of Meeting*

| | |
|---|---|
| Date: | May 27, 2010 |
| Time: | 9:00 a.m., Eastern Time |
| Place: | Three Limited Parkway, Columbus, Ohio 43230 |

### *Attending the Meeting*

Stockholders who plan to attend the meeting in person must bring photo identification and the Admittance Slip located after the Company Information page. Because of necessary security precautions, bags, purses and briefcases may be subject to inspection. To speed the admissions process, stockholders are encouraged to bring only essential items. Cameras, camcorders or video taping equipment are not allowed.

### *Shares Entitled to Vote*

Stockholders entitled to vote are those who owned Limited Brands common stock (which we refer to throughout this proxy statement as "Common Stock") at the close of business on the record date, March 29, 2010. As of the record date, there were 323,419,193 shares of Common Stock outstanding. Each share of Common Stock that you own entitles you to one vote.

### *Voting Your Shares*

Whether or not you plan to attend the annual meeting, we urge you to vote. Stockholders of record can give proxies by calling a toll-free telephone number, by using the Internet or by mailing their signed proxy cards. The telephone and Internet voting procedures are designed to authenticate stockholders' identities, to allow stockholders to give their voting instructions and to confirm that stockholders' instructions have been recorded properly. If you are voting by mail, please complete, sign and date the enclosed proxy card and return it promptly in the envelope provided. If you are voting by telephone or via the Internet, please use the telephone or Internet voting procedures set forth on the enclosed proxy card. Returning the proxy card or voting via telephone or the Internet will not affect your right to attend the meeting and vote.

The enclosed proxy card indicates the number of shares that you own.

Voting instructions are included on your proxy card. If you properly fill in your proxy card and send it to us or vote via telephone or the Internet in time to vote, one of the individuals named on your proxy card (your "proxy") will vote your shares as you have directed. If you sign the proxy card or vote via telephone or the Internet but do not make specific choices, your proxy will follow the Board's recommendations and vote your shares for the following matters:

- "FOR" the election of the Board's four nominees for director (as described on pages 4 through 6).
- "FOR" the ratification of the appointment of our independent registered public accountants (as described on page 11).

If any other matter is properly presented at the meeting, your proxy will vote in accordance with his or her best judgment. At the time this proxy statement went to press, we knew of no other matters to be acted on at the meeting. See “Vote Necessary to Approve Proposals” for a discussion of the votes required to approve these items.

Certain stockholders received a Notice containing instructions on how to access this proxy statement and our Annual Report on Form 10-K via the Internet. Those stockholders should refer to the Notice for instructions on how to vote.

***Revoking Your Proxy***

You may revoke your proxy by:

- submitting a later dated proxy (including a proxy via telephone or the Internet),
- notifying our Secretary at our principal executive offices at Three Limited Parkway, Columbus, Ohio, in writing before the meeting that you have revoked your proxy, or
- voting in person at the meeting.

***Voting in Person***

If you plan to vote in person, a ballot will be available when you arrive. However, if your shares are held in the name of your broker, bank or other nominee, you must bring an account statement or letter from the nominee indicating that you were the beneficial owner of the shares at the close of business on March 29, 2010, the record date for voting.

***Appointing Your Own Proxy***

If you want to give your proxy to someone other than the individuals named as proxies on the proxy card, you may cross out the names of those individuals and insert the name of the individual you are authorizing to vote. Either you or that authorized individual must present the proxy card at the meeting.

***Quorum Requirement***

A quorum of stockholders is necessary to hold a valid meeting. The presence in person or by proxy at the meeting of holders of shares representing at least one-third of the votes of the Common Stock entitled to vote constitutes a quorum. Abstentions and “broker non-votes” are counted as present for establishing a quorum. A broker non-vote occurs on an item when a broker is not permitted to vote on that item absent instruction from the beneficial owner of the shares and no instruction is given.

***Vote Necessary to Approve Proposals***

- Pursuant to the Company’s Bylaws, each director will be elected by a majority of the votes cast with respect to such director. A majority of the votes cast means that the number of votes “for” a director’s election must exceed 50% of the votes cast with respect to that director’s election. Under Delaware law, if the director is not elected at the annual meeting, the director will continue to serve on the Board as a “holdover director.” As required by the Company’s Bylaws, each director has submitted an irrevocable letter of resignation as director that becomes effective if he or she does not receive a majority of votes cast in an election and the Board accepts the resignation. If a director is not elected, the Nominating & Governance Committee will consider the director’s resignation and recommend to the Board whether to accept or reject the resignation.
- The ratification of Ernst & Young LLP as our independent registered public accountants requires the affirmative vote of a majority of the votes present in person or by proxy and voting thereon.

### *Impact of Abstentions and Broker Non-Votes*

You may "abstain" from voting for any nominee in the election of directors and for the ratification of Ernst & Young LLP as the Company's independent registered public accountants. Abstentions will not count as a vote cast with respect to the election of directors or the ratification of Ernst & Young LLP. Abstentions with respect to the ratification of Ernst & Young LLP will be excluded entirely from the vote and will have no effect.

In addition, under New York Stock Exchange ("NYSE") rules, if your broker holds your shares in its name, your broker is permitted to vote your shares on the ratification of Ernst & Young LLP, even if it does not receive voting instructions from you. Prior to 2010, the election of directors was considered a matter for which brokers were permitted to vote your shares. Beginning this year, brokers are no longer permitted to vote your shares for the election of directors without specific instruction. A "broker non-vote" occurs when a broker submits a proxy but refrains from voting. Shares represented by broker non-votes are counted as present or represented for purposes of determining the presence of a quorum but are not counted as otherwise present or represented.

### *Obtaining Additional Copies of the Proxy Materials*

We have adopted a procedure called "householding." Under this procedure, stockholders who share the same last name and reside at the same mailing address will receive one Notice or one set of proxy materials (if they have elected to receive hard copies of the proxy materials), unless one of the stockholders at that address has notified us that they wish to receive individual copies. Stockholders who participate in householding continue to receive separate control numbers for voting. Householding does not in any way affect dividend check mailings.

If you hold Limited Brands Common Stock and currently are subject to householding, but prefer to receive separate copies of proxy materials and other stockholder communications from Limited Brands, or if you are sharing an address with another stockholder and would like to consent to householding, you may revoke or grant your consent to householding as appropriate at any time by calling toll-free at 1-800-579-1639.

A number of brokerages and other institutional holders of record have implemented householding. If you hold your shares beneficially in street name, please contact your broker or other intermediary holder of record to request information about householding.

## ELECTION OF DIRECTORS

The Board of Directors has nominated four directors for election at the annual meeting. If you elect the four nominees, they will hold office for a three-year term expiring at the 2013 annual meeting or until their successors have been elected. All nominees are currently serving on our Board of Directors.

We believe that our Board as a whole possesses the right diversity of experience, qualifications and skills to oversee and address the key issues facing our Company. In addition, we believe that each of our directors possesses key attributes that we seek in a director, including strong and effective decision-making, communication and leadership skills. Set forth below is additional information about the experience and qualifications of each of the nominees for director, as well as each of the current members of the Board, that led the Nominating & Governance Committee and Board of Directors to conclude, at the time each individual was nominated to serve on the Board of Directors, that he or she would provide valuable insight and guidance as a member of the Board of Directors.

Your proxy will vote for each of the nominees unless you specify otherwise. If any nominee is unable to serve, your proxy may vote for another nominee proposed by the Board of Directors. We do not know of any nominee of the Board of Directors who would be unable to serve as a director if elected.

**The Board of Directors Recommends a Vote FOR the Election of All of the Following Nominees of the Board of Directors:**

***Nominees and Directors***

*Nominees of the Board of Directors for Election at the 2010 Annual Meeting.*

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| *Dennis S. Hersch* | *Director since 2006* | *Age 63* |

Mr. Hersch is President of N.A. Property, Inc., through which he acts as a business advisor to Mr. and Mrs. Wexner, and has done so since February 2008. He also serves as a trustee of several trusts established by Mr. and Mrs. Wexner. He was a Managing Director of JPMorgan Securities Inc., an investment bank, from December 2005 through January 2008, where he served as the Global Chairman of its Mergers & Acquisitions Department. Mr. Hersch was a partner of Davis Polk & Wardwell LLP, a New York law firm, from 1978 until December 2005. Mr. Hersch has been a director of Clearwire Corporation, a wireless, high-speed Internet service provider, since November 2008. Mr. Hersch's nomination is supported by his legal and financial expertise, as well as his considerable experience with corporate governance matters, strategic issues and corporate transactions.

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| *David T. Kollat* | *Director since 1976* | *Age 71* |

Dr. Kollat has been Chairman of 22, Inc., a management consulting firm, since 1987. He is also a director of Big Lots, Inc., a retailer, Select Comfort Corporation, a bed manufacturing company, and Wolverine World Wide, Inc., a footwear, apparel and accessories manufacturing company. In addition to his broad business experience (including service on several boards of directors) and marketing expertise, Dr. Kollat's nomination is supported by his particular experience in the retail, apparel and other related industries, both at the management and board levels.

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| *William R. Loomis, Jr.* | *Director since 2005* | *Age 62* |

Mr. Loomis was a General Partner or Managing Director of Lazard Freres & Co., an investment bank, from 1984 to 2002. After the formation of Lazard LLC in 2000, he became the Chief Executive Officer of the new entity. Mr. Loomis became a Limited Managing Director of Lazard LLC in 2002 and resigned from that position in March 2004. Through 2005, Mr. Loomis was a member of the Board of Directors of Alcan, Inc. Since January 2009, Mr. Loomis has been an independent financial advisor. Mr. Loomis's nomination is supported by his executive experience, financial expertise and substantial history as a senior strategic advisor to complex businesses and multiple executives.

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| *Leslie H. Wexner* | *Director since 1963* | *Age 72* |

Mr. Wexner has been Chief Executive Officer of Limited Brands since he founded the Company in 1963, and Chairman of the Board for more than forty years. Mr. Wexner is the husband of Abigail S. Wexner. Mr. Wexner's nomination is supported by his leadership of the Company since its inception, demonstrated through its substantial growth.

*Directors Whose Terms Continue until 2011 Annual Meeting*

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| *Donna A. James* | *Director since 2003* | *Age 52* |

In April 2006, Ms. James established Lardon & Associates LLC, a business and executive advisory services firm, where she is Managing Director. Ms. James served as the President of Nationwide Strategic Investments, a division of Nationwide Mutual Insurance Company ("Nationwide"), from 2003 through March 31, 2006. Ms. James served as Executive Vice President and Chief Administrative Officer of Nationwide and National Financial Services from 2000 until 2003. Ms. James served as Chairman of Financial Settlement Services Agency, Inc. from 2005 through 2006. She is a director of Coca-Cola Enterprises Inc., a nonalcoholic beverages company, Conseco, Inc., an insurance company, and Time Warner Cable Inc., a provider of video, data and voice services. Ms. James's nomination was supported by her executive experience, financial expertise, service on several boards of directors and experience with respect to corporate diversity and related issues.

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| *Jeffrey H. Miro* | *Director since 2006* | *Age 67* |

Mr. Miro has been a senior partner of the Honigman Miller Schwartz and Cohn LLP law firm since November 2004. He was a partner and Chairman of the law firm of Miro Weiner & Kramer from 1981 until November 2004. He is an Adjunct Professor of Law at The University of Michigan Law School, teaching courses in taxation and corporate governance. Mr. Miro is a director of M/I Homes, Inc., a national home building company, and was a director of Sotheby's Holdings, Inc. until May 2006. Mr. Miro's nomination was supported by his legal expertise, particularly with respect to corporate governance and real estate, which are matters of considerable importance to the Company.

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| *Raymond Zimmerman* | *Director since 1984* | *Age 77* |

Mr. Zimmerman is the Chief Executive Officer of Service Merchandise LLC. Mr. Zimmerman was Chairman of the Board and Chief Executive Officer of 99¢ Stuff, LLC from 1999 to 2003 and the Chairman of the Board and Chief Executive Officer of 99¢ Stuff, Inc. from 2003 to 2008. In January 2007, 99¢ Stuff, Inc. filed a voluntary petition under Chapter 11 of the United States Bankruptcy Code and in October 2007 99¢ Stuff, Inc. emerged from bankruptcy. Mr. Zimmerman's nomination was supported by his financial expertise and broad business experience, particularly in the retail sector.

*Directors Whose Terms Continue until 2012 Annual Meeting*

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| *James L. Heskett* | *Director since 2002* | *Age 77* |

Professor Heskett is a Baker Foundation Professor Emeritus at the Harvard University Graduate School of Business Administration, where he has served on the faculty and administration since 1965. Professor Heskett served as a member of the Board of Directors of Office Depot, Inc. through 2006 and as a member of the Board of Directors of Intelliseek through 2005. Professor Heskett's nomination was supported by his broad expertise with respect to a range of management and organizational matters, including customer relationship management, service management and entrepreneurship.

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| *Allan R. Tessler* | *Director since 1987* | *Age 73* |

Mr. Tessler has been Chairman of the Board and Chief Executive Officer of International Financial Group, Inc., an international merchant banking firm, since 1987. He has been Chairman of the Board of Epoch Investment Partners, Inc., an investment management company and formerly J Net Enterprises, since 2004. He was Chief Executive Officer and Chairman of the Board of J Net Enterprises from 2000 to 2004. Mr. Tessler was Chairman of the Board of InterWorld Corporation from 2001 to 2004. Mr. Tessler was Chairman of Checker Holdings Corp. IV from 1997 to 2009. Mr. Tessler has served as a director of TD Ameritrade, a securities brokerage company, since November 2006. Mr. Tessler serves on TD Ameritrade's Audit Committee. Mr. Tessler's nomination was supported by his broad business experience and financial expertise, together with his involvement in various public policy issues.

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| *Abigail S. Wexner* | *Director since 1997* | *Age 48* |

Mrs. Wexner is Chair of the Boards of Directors of Nationwide Children's Hospital Inc. and Nationwide Children's Hospital; Founder and Chair of the Boards of the Columbus Coalition Against Family Violence, KidsOhio.org and the Center for Child and Family Advocacy; Vice Chair of the Board of KIPP Journey Academy; and a Trustee of The Wexner Center Foundation and the United States Equestrian Team Foundation. Mrs. Wexner is the wife of Leslie H. Wexner. Mrs. Wexner's nomination was supported by her executive and legal experience, as well as her expertise with respect to a wide range of diversity, philanthropic and public policy issues.

### ***Former Director***

Jeffrey B. Swartz, a member of our Board of Directors since 2005, has informed the Company that he will retire effective May 27, 2010, at the conclusion of our 2010 annual meeting.

### ***Director Independence***

The Board has determined that each of the individuals nominated to serve on the Board of Directors, other than Dennis S. Hersch and Leslie H. Wexner, together with each of the members of the Board who will continue to serve after the 2010 annual meeting of stockholders (except for Abigail S. Wexner), has no material relationship with the Company other than in his or her capacity as a director of the Company and that each is "independent" in accordance with applicable NYSE standards. Following the annual meeting of stockholders, if all director nominees are elected to serve as our directors, independent directors will constitute more than two-thirds of our Board.

In making these determinations, the Board took into account all factors and circumstances that it considered relevant, including, where applicable, the existence of any employment relationship between the director (or nominee) or a member of the director's (or nominee's) immediate family and the Company; whether within the past three years the director (or nominee) has served as an executive officer of the Company; whether the director (or nominee) or a member of the director's (or nominee's) immediate family has received, during any twelve-month period within the last three years, direct compensation from the Company in excess of $120,000; whether the director (or nominee) or a member of the director's (or nominee's) immediate family has been, within the last three years, a partner or an employee of the Company's internal or external auditors; and whether the director (or nominee) or a member of the director's (or nominee's) immediate family is employed by an entity that is engaged in business dealings with the Company. The Board has not adopted categorical standards with respect to director independence. The Board believes that it is more appropriate to make independence determinations on a case-by-case basis in light of all relevant factors.

***Board Leadership Structure***

Mr. Leslie H. Wexner, nominated this year for reelection to the Board, serves as Chairman of the Board and Chief Executive Officer of the Company. Mr. Wexner is the founder of the Company and has served as its Chairman and Chief Executive Officer for over forty years. Mr. Wexner (through his personal holdings and associated trusts) is also the Company's largest shareholder. The Board believes that Mr. Wexner's experience and expertise in the Company's business and operations is unrivaled and that he is uniquely qualified to lead the Company. Accordingly, the Company believes that Mr. Wexner's service as both Chairman of the Board and Chief Executive Officer is a significant benefit to the Company and provides more effective leadership than could be achieved in another leadership structure.

The Board has designated Allan R. Tessler, the Chairperson of the Nominating & Governance Committee, to serve as the lead independent director, among other things, presiding over all executive sessions of non-management directors. The Company believes that the lead independent director structure, including Mr. Tessler's service as lead independent director, offers independent oversight of the Company's management to complement the leadership that Mr. Wexner provides to the Board as its Chairman.

***Risk Oversight; Certain Compensation Matters***

The Company's Board of Directors, directly and through the Audit Committee and other Committees of the Board, takes an active role in the oversight of the Company's policies with respect to the assessment and management of enterprise risk. Among other things, the Board has policies in place for identifying the senior executive responsible for key risks as well as the Board Committees with oversight responsibility for particular key risks. In a number of cases, oversight is conducted by the full Board.

Among other things, the Company, including the Compensation Committee of the Board, has evaluated the Company's compensation structure from the perspective of enterprise risk. The Company, including the Compensation Committee, believes that the Company's compensation structures are appropriate and do not incent inappropriate taking of business risks.

***Information Concerning the Board of Directors***

*Meeting Attendance.*

Our Board of Directors held 7 meetings in fiscal year 2009. During fiscal year 2009, all of the directors (except Mr. Swartz) attended 75% or more of the total number of meetings of the Board and of the committees of the Board on which they served.

***Committees of the Board of Directors***

*Audit Committee.*

The Audit Committee of the Board is instrumental in the Board's fulfillment of its oversight responsibilities relating to (i) the integrity of the Company's financial statements, (ii) the Company's compliance with legal and regulatory requirements, (iii) the qualifications, independence and performance of the Company's independent auditors and (iv) the performance of the Company's internal audit function. The current members of the Audit Committee are Ms. James (Chair) and Messrs. Loomis, Tessler and Zimmerman. The Board has determined that each of the Audit Committee members meets the independence, expertise and experience standards established by the NYSE and the Securities and Exchange Commission (the "Commission") for service on the Audit Committee of the Company's Board of Directors and for designation as an "audit committee financial expert" within the meaning of the regulations promulgated by the Commission.

The Report of the Audit Committee can be found on page 42 of this proxy statement. The Audit Committee held 14 meetings in fiscal year 2009.

*Compensation Committee.*

The Compensation Committee of the Board (i) oversees the Company's compensation and benefits philosophy and policies generally, (ii) evaluates the Chief Executive Officer's (the "CEO") performance and oversees and sets compensation for the CEO, (iii) oversees the evaluation process and compensation structure for other members of the Company's senior management and (iv) fulfills the other responsibilities set forth in its charter. During fiscal year 2009 the members of the Compensation Committee were Dr. Heskett (Chair), Mr. Miro, Dr. Kollat (beginning in March 2009) and (until September 2009) Mr. Swartz. All such individuals, other than Mr. Swartz, continue to serve on such Committee. The Board has determined that each of the Compensation Committee members is "independent" in accordance with applicable NYSE standards.

The Report of the Compensation Committee can be found on page 37 of this proxy statement. The Compensation Committee held 9 meetings in fiscal year 2009.

*Executive Committee.*

The Executive Committee of the Board may exercise, to the fullest extent permitted by law, all of the powers and authority granted to the Board. Among other things, the Executive Committee may declare dividends, authorize the issuance of stock and authorize the seal of Limited Brands to be affixed to papers that require it. The current members of the Executive Committee are Messrs. Wexner (Chair) and Tessler.

*Finance Committee.*

The Finance Committee of the Board periodically reviews our financial position and financial arrangements with banks and other financial institutions. The Finance Committee also makes recommendations on financial matters that it believes are necessary, advisable or appropriate. The current members of the Finance Committee are Mr. Tessler (Chair), Mr. Hersch, Dr. Kollat, Mr. Loomis, Mrs. Wexner and Mr. Zimmerman.

The Finance Committee held one meeting in fiscal year 2009.

*Nominating & Governance Committee.*

The Nominating & Governance Committee of the Board identifies and recommends to the Board candidates who are qualified to serve on the Board and its committees. The Nominating & Governance Committee considers and reviews the qualifications of any individual nominated for election to the Board by stockholders. It also proposes a slate of candidates for election as directors at each annual meeting of stockholders. The Nominating & Governance Committee also develops and recommends to the Board, and reviews from time to time, a set of corporate governance principles for the Company and monitors compliance with those principles. The current members of the Nominating & Governance Committee are Mr. Tessler (Chair), Dr. Heskett, Ms. James and Mr. Miro. The Board has determined that each of the Nominating & Governance Committee members is "independent" in accordance with applicable NYSE standards.

The Nominating & Governance Committee develops and recommends to the Board criteria and procedures for the selection and evaluation of new individuals to serve as directors and committee members. It also reviews and periodically makes recommendations to the Board regarding the composition, size, structure, practices, policies and activities of the Board and its committees. In making its assessment and in identifying and evaluating director nominees, the Nominating & Governance Committee takes into account the qualification of existing directors for continuing service or re-nomination which may be affected by, among other things, the quality of their contributions, their attendance records, changes in their primary employment or other business affiliations, the number of boards of publicly held companies on which they serve, or other competing demands on their time and attention. While the Board has not established any specific minimum qualifications for director nominees, as indicated in the Company's corporate governance principles, the directors and any potential nominees should be individuals of diverse backgrounds who possess the integrity, judgment, skills, experience and other characteristics that are deemed necessary or desirable for the effective performance of the Board's oversight function. Certain of the skills, qualifications and particular areas of expertise considered with respect to the members of the Board of Directors at the time each Director was nominated are summarized in the director biographies found on pages 4 through 6 of this proxy statement. Although the Nominating & Governance Committee considers diversity as a factor in the selection of Board nominees, the Committee has no formal policy regarding the role of diversity in its selection process.

The Nominating & Governance Committee does not have a formal policy on the consideration of director candidates recommended by stockholders. The Board believes that it is more appropriate to give the Nominating & Governance Committee flexibility in evaluating stockholder recommendations. In the event that a director nominee is recommended by a stockholder, the Nominating & Governance Committee will give due consideration to the director nominee and will use the same criteria used for evaluating Board director nominees, in addition to considering the information relating to the director nominee provided by the stockholder.

To date, the Company has not engaged third parties to identify or evaluate or assist in identifying potential director nominees, although the Company reserves the right in the future to retain a third-party search firm, if appropriate.

The Nominating & Governance Committee held 3 meetings in fiscal year 2009.

***Meetings of the Company's Non-Management Directors***

The non-management directors of the Board meet in executive session in connection with each regularly scheduled Board meeting. The director who is the Chairperson of the Nominating & Governance Committee serves as the chair of those meetings.

***Communications with the Board***

The Board provides a process for interested parties to send communications to the full Board, the non-management members of the Board and the members of the Audit Committee. Any director may be contacted by writing to him or her c/o Limited Brands, Inc., Three Limited Parkway, Columbus, Ohio 43230 or emailing at *boardofdirectors@limitedbrands.com*. Any stockholder wishing to contact non-management directors or Audit Committee members may send an email to *nonmanagementdirectors@limitedbrands.com* or *auditcommittee@limitedbrands.com*, respectively. Communications that are not related to a director's duties and responsibilities as a Board member, a non-management director or an Audit Committee member may be excluded by the Office of the General Counsel, including, without limitation, solicitations and advertisements; junk mail; product-related communications; job referral materials such as resumes; surveys; and any other material that is determined to be illegal or otherwise inappropriate. The directors to whom such information is addressed are informed that the information has been removed and that it will be made available to such directors upon request.

***Attendance at Annual Meetings***

The Company does not have a formal policy regarding attendance by members of the Board of Directors at the Company's annual meeting of stockholders. However, it encourages directors to attend and historically most have done so. Nine of the then-current Board members attended the 2009 annual meeting. Each director is expected to dedicate sufficient time, energy and attention to ensure the diligent performance of his or her duties, including by attending meetings of the Board and the committees of which he or she is a member.

***Code of Conduct and Related Person Transaction Policy***

The Company has a code of conduct which is applicable to all employees of the Company, including the Company's CEO, Chief Administrative Officer and Chief Financial Officer, and to members of the Board of Directors. Any amendments to the code or any waivers from any provisions of the code granted to executive officers or directors will be promptly disclosed to stockholders through posting on the Company's website at *http://www.limitedbrands.com*.

The Board has adopted Limited Brands' Related Person Transaction Policy (the "Related Person Transaction Policy"). Under the Related Person Transaction Policy, subject to certain exceptions, directors and executive officers of the Company are required to notify the Company of the existence or potential existence of any financial or commercial transaction, agreement or relationship involving the Company in which a director or executive officer or his or her immediate family members has a direct or indirect material interest. Each such transaction must be approved by the Board or a committee consisting solely of independent directors after consideration of all material facts and circumstances.

***Copies of the Company's Code of Conduct, Corporate Governance Principles, Related Person Transaction Policy and Committee Charters***

The Company's code of conduct, corporate governance principles, Related Person Transaction Policy, as well as the charters of the Audit Committee, Compensation Committee and Nominating & Governance Committee of the Board of Directors, are available on the Company's website at *http://www.limitedbrands.com*. Stockholders may also request a copy of any such document from: Limited Brands, Inc., Attention: Investor Relations, Three Limited Parkway, Columbus, Ohio 43230.

## RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

The Audit Committee has appointed Ernst & Young LLP to serve as the Company's independent registered public accountants for the fiscal year ending January 29, 2011. We are asking you to ratify this appointment, although your ratification is not required. A representative of Ernst & Young LLP will be present at the meeting, will have the opportunity to make a statement and will be available to respond to appropriate questions.

Additional information concerning the Company's engagement of Ernst & Young LLP is included on page 43.

**The Board of Directors Recommends a Vote FOR the Ratification of the Appointment of Ernst & Young LLP as the Company's Independent Registered Public Accountants.**

## COMPENSATION-RELATED MATTERS

### Compensation Discussion and Analysis

***Executive Summary—The Purpose of Our Executive Compensation Program***

The Limited Brands' executive compensation program is designed to ensure that the interests of executive officers are closely aligned with those of stockholders. We believe that our program is effective in allowing us to attract, motivate and retain highly qualified senior talent who can successfully deliver outstanding business performance.

We target total compensation for executive officers between the $50^{th}$ and $75^{th}$ percentile of the competitive market and believe that this practice allows us to attract and retain executive officers and to provide rewards that are competitive based on the market value for skills needed by our executive officers. In addition, we believe that this practice is appropriate in light of the high level of commitment, job demands and the expected performance contribution required from each of our executive officers in our extremely competitive marketplace.

During 2009, in an effort to balance the interests of stockholders, the Company and executives in the context of the severe economic downturn, the Compensation Committee of the Board took the following actions:

- Did not award salary increases to executive officers.
- Established short-term performance-based incentive compensation targets that reflected motivational goals in an unprecedented challenging economic environment.
- Changed the performance criteria for our restricted stock program to de-couple the payout from the achievement of the performance goals for our short-term cash incentive compensation while maintaining the program's retentive value and tax efficiency.
- Changed the vesting of our annual restricted stock grant from 40% vesting after two years and 60% vesting after three years to three year cliff vesting while the vesting of stock options was changed from 25% per year over four years to 33% per year over three years. This change was made to simplify our equity-based incentive programs.

We continue to believe that pay realized by executive officers should be very closely aligned with performance that benefits our stockholders and that these actions support this philosophy.

The following Compensation Discussion and Analysis outlines additional details regarding our executive compensation program and policies. The Compensation Committee has provided oversight to the design and administration of our program and policies, participated in the preparation of the Compensation Discussion and Analysis and recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

***Compensation Governance***

Our executive compensation program is overseen by the Compensation Committee of the Board of Directors. Compensation Committee members are appointed by our Board and meet the independence and other requirements of the NYSE and other applicable laws and regulations. Compensation Committee members are selected based on their knowledge and experience in compensation matters from their professional roles and their roles on other boards.

As part of its self-evaluation process, the Compensation Committee considers best practices and compliance with the highest governance standards. The Compensation Committee continued its work to enhance communication with the Board and maximize the effectiveness of the Committee. The role of the Compensation Committee and information about its meetings are set forth elsewhere in this proxy statement.

The Compensation Committee's charter is available on our website at *http://www.limitedbrands.com.*

***Compensation Consultant***

As permitted by its charter, the Compensation Committee retained Watson Wyatt as its independent executive compensation consultant to assist in its evaluation of CEO and executive officer compensation levels, severance arrangements and program design. Effective January 1, 2010 Watson Wyatt merged with Towers Perrin and became Towers Watson. The Compensation Committee, considering recommendations from our management team, determines the work to be performed by the consultant. The consultant works with management to gather data required in preparing analyses for Compensation Committee review.

Specifically, the consultant provides the Compensation Committee with market trend information, data and recommendations to enable the Compensation Committee to make informed decisions and to stay abreast of changing market practices. In addition, Towers Watson provided analysis on the alignment of pay and performance, provided consultation on our executive compensation strategy and assisted in the process of preparing this disclosure.

The Compensation Committee has the sole authority to retain and terminate any independent executive compensation consultant. To that end, it periodically reviews the performance of the consultant and considers alternative consultants. In considering the advice provided by an executive compensation consultant, and whether to retain or continue the retention of an executive compensation consultant, the Compensation Committee requires that the Company regularly inform the Compensation Committee of all work provided or to be provided by the consulting firm and its affiliates to the Company in addition to the executive compensation services provided to the Compensation Committee. Additionally, the Compensation Committee reviews all bills rendered by the compensation consulting firm to the Company for services provided to both the Company and the Compensation Committee. In addition to the services provided at the request of the Compensation Committee, a separate division of Towers Watson provides a call center tracking system for which we pay quarterly software usage fees. These fees are less than $120,000. The Compensation Committee believes that the provision of this work by Towers Watson does not impair the independence and objectivity of advice provided to the Compensation Committee on executive compensation matters.

***Committee Delegation***

The Compensation Committee may delegate its authority to subcommittees or the Chair of the Compensation Committee when it deems appropriate and in the best interests of the Company. In accordance with its charter, the Compensation Committee has delegated to our Executive Vice President of Human Resources the authority to make grants of stock rights or options under and in accordance with the Company's stock incentive plan with a value up to $250,000 to any associate that is not a Section 16 officer of the Company or a senior leadership team member.

Company management, including the Executive Vice President of Human Resources and the Senior Vice President of Talent Management and Total Rewards, generally prepare the materials for and attend Compensation Committee meetings, along with a representative from the Office of the General Counsel who records the minutes of the meeting, the Chief Administrative Officer and the Chief Financial Officer. This management team proposes compensation program design and recommends compensation levels and stock awards for executives. The CEO does not play a role in recommending his own compensation. The Compensation Committee makes the final determination regarding management's proposals. The Compensation Committee regularly meets in executive session without management present.

### *Executive Compensation Philosophy*

The Compensation Committee believes that executive compensation programs should be built on a philosophy reflected in clearly articulated guiding principles. We have designed our executive compensation programs with the following guiding principles in mind:

*To Pay for Performance.*

We believe in paying for results. Accordingly, the primary goal of the compensation program is to link total executive compensation to performance that enhances stockholder value. Our executives are compensated based on a combination of total Company, brand and individual performance factors. Total Company and brand performance are evaluated primarily based on the degree by which pre-established financial targets are met. In 2009, this philosophy resulted in short-term incentive payments that exceeded the targeted level due to superior performance. Individual performance is evaluated based upon several leadership factors, including:

- Building brand identity;
- Attaining specific merchandise and financial objectives;
- Building and developing a strong leadership team;
- Developing an effective infrastructure to support future business growth and profitability; and
- Commitment to living the values of Limited Brands.

*To Pay Competitively.*

We are committed to providing a total compensation program designed to attract superior leaders to the Company and to retain performers of the highest caliber. To achieve this goal, we annually compare our pay practices and overall pay levels with other leading retail organizations, and, where appropriate, with non-retail organizations when establishing our pay guidelines.

*To Pay Equitably.*

We believe that it is important to apply generally consistent guidelines for all executive officer compensation programs. In order to deliver equitable pay levels, the Compensation Committee considers depth and scope of accountability, complexity of responsibility, and executive officer performance, both individually and collectively as a team.

*To Encourage Ownership of Company Stock.*

We design compensation policies and practices to encourage ownership of Common Stock. Beginning in 2005, the Compensation Committee approved stock ownership guidelines for our executive officers and members of the Board of Directors. The guidelines set a minimum level of ownership value according to the position and responsibility ranging from three to five times their annual base salary.

According to these principles, we have structured our total compensation for executive officers such that a smaller proportion is fixed compensation and a larger proportion is performance-contingent, based on brand and Common Stock performance.

### *Executive Compensation Practices*

The Compensation Committee continually reviews our executive compensation to ensure it best reflects our compensation philosophy. The principal elements of our executive compensation are base salary, short-term performance-based cash incentive compensation and long-term equity-based incentive programs.

In determining the targeted compensation level for our executive officers, the Compensation Committee considers the recommendations of management (except with regard to Mr. Wexner) in light of the following:

- Individual performance and future potential;
- Market practice; and
- Scope of the executive's responsibilities and duties.

Although there is no formal policy for a specific allocation between short-and long-term, fixed and at-risk, or between cash and non-cash compensation, the Compensation Committee seeks a pay mix that places greater emphasis on performance-based and equity compensation.

The pay mix is designed to generally reflect market practice, the needs of our workforce, and to provide executive officers with attractive levels of current pay while encouraging officers to remain with our Company for the long-term. In addition, we believe the structure of our pay mix appropriately motivates our executives without encouraging unnecessary risk-taking. When setting the amount of compensation to be awarded in a given year, the Compensation Committee considers the relative proportion of total compensation delivered on a current and long-term basis and in the form of cash and equity prior to making changes to compensation levels.

Long-term equity compensation helps to align the interests of our executive officers with those of our stockholders, ensuring that our executive officers realize similar gains and losses as our stockholders. We believe that the vesting requirement of our long-term equity compensation increases the likelihood that we will be able to retain top performers and encourages good performance.

Short-term performance-based incentive compensation reflects the seasonal nature of our business and provides for incentive payments based on the achievement of predetermined operating income goals for each six-month operating season. Payments are increased or decreased based on the performance of our Company over the seasonal measurement period. Therefore, actual compensation realized may be more or less than the targeted compensation opportunity in any given year.

We would seek to recover, under the relevant provisions of the Sarbanes-Oxley Act, previously awarded bonuses or equity-based compensation or profits in the event of a restatement of financial or other performance results.

The Compensation Committee reviewed all of the components of the named executive officers' compensation for the years 2007, 2008 and 2009, including salary, short-term incentive compensation, realized and unrealized gains on stock options and restricted stock, the cost to the Company of all perquisites, payout obligations under the Company's non-qualified deferred compensation plan and supplemental executive retirement plan and potential payouts under several potential severance and change-in-control scenarios. Tally sheets including all of the above components were reviewed by the Compensation Committee to determine the reasonableness of the compensation of the named executive officers. The Compensation Committee concluded that compensation levels are reasonable and in the best interests of Limited Brands and its stockholders. The Compensation Committee will continue to review tally sheets at least annually.

Market practice consideration consists of a comparison of the target and actual compensation for our named executive officers to publicly available data on base salary, bonus and long-term incentive compensation for executives from a peer group consisting of 20 national and regional specialty and department store retail organizations to benchmark the appropriateness and competitiveness of their compensation. In 2008, with the assistance of Towers Watson, this list of peer companies was changed to appropriately reflect our current business focus, including the divestiture of our apparel brands in 2007. The peer group companies were chosen because of their general similarity to Limited Brands in total revenue, business and merchandise focus, geographic location and/or their frequent competition with the Company for executive talent. The Compensation

Committee reviewed the peer companies in 2009 and determined that no changes were necessary. For the 2008 and 2009 fiscal years, the comparison companies were:

| | | |
|---|---|---|
| *Abercrombie & Fitch* | *DSW* | *Nordstrom* |
| *American Eagle Outfitters* | *Estee Lauder* | *Polo Ralph Lauren* |
| *Ann Taylor* | *Gap* | *Target* |
| *Avon* | *JCPenney* | *TJX Companies* |
| *Bed Bath & Beyond* | *Kohl's* | *Tween Brands* |
| *Liz Claiborne* | *Macy's* | *Williams-Sonoma* |
| *Coach* | *Nike* | |

This peer group includes a subset of companies in the S&P 500 Retail Composite Index represented in the Comparison of Cumulative 5 Year Total Return graph included in our Annual Report on Form 10-K for the 2009 fiscal year.

For 2009, total direct compensation at target, including base salary, performance-based incentive compensation and equity-based incentives, was strategically positioned above the median of the companies against which we benchmark our compensation. Actual performance results for 2009 were above targeted levels and as a result, actual compensation was above targeted levels.

At the Compensation Committee's request, Towers Watson analyzed our long-term equity compensation program and its relationship to our performance over the three-year period ending in 2008 relative to compensation levels and performance of our peer group described above. Based on this analysis, our Compensation Committee believes that our long-term compensation program results are aligned with performance.

Towers Watson also analyzed 2008 performance and its relationship to our short-term incentive compensation program. This analysis revealed an anomalous relationship between our 2008 short-term executive officer pay and our 2008 performance attributable, in large part, to our seasonal incentive program approach, which is designed to reflect the seasonal nature of our business and the distinctively different results for the Spring and Fall seasons.

In the first half of 2008, operating income increased, and all of the Company's major retail businesses reported year over year operating income increases resulting in performance-based pay for the Spring season that was generally above target. However, in the second half of 2008, our operating income decreased in conjunction with the economic downturn resulting in no performance-based payments for the Fall season. In contrast, the annual bonus program payouts of a majority of our peer companies for the 2008 performance period reflected the effect of the severe retail industry recession during the latter half of 2008. Our Compensation Committee continues to believe that the design of our short-term program is appropriately tailored to our business, recognizes the strategic importance of aligning executive pay with our seasonal performance and continues to be in the best interest of the Company and its stockholders.

While the Compensation Committee has not established a formal policy regarding the evaluation of the total compensation of the CEO relative to the other executive officers, it does evaluate compensation levels to ensure fairness based on individual performance and the size, importance and complexity of each executive officer's position.

*Base Salary.*

The Compensation Committee annually reviews and approves the base salary of each executive officer. In determining base salary adjustments, the Compensation Committee considers the size and responsibility of the individual's position, total Company and brand performance, the officer's overall performance and future potential and the level of overall compensation paid by competitors for comparable positions. Individual performance is measured against the following factors: seasonal and annual business goals; brand strategy execution and business growth goals; recruitment and development of leadership talent; and commitment to living the values of Limited Brands. These factors are considered subjectively in the aggregate, and none of these factors is assigned a formula weight.

In response to the downturn in the economic environment and consistent with our cost-saving measures, there was no change to the base salaries for the executive officers in 2009:

| | 2008 Base Salary | 2009 Base Salary | % Increase |
|---|---|---|---|
| Mr. Wexner | $1,924,000 | $1,924,000 | 0.0% |
| Mr. Burgdoerfer | $ 725,000 | $ 725,000 | 0.0% |
| Ms. Turney | $1,250,000 | $1,250,000 | 0.0% |
| Mr. Redgrave | $1,040,000 | $1,040,000 | 0.0% |
| Ms. Neal | $ 927,000 | $ 927,000 | 0.0% |



*Short-Term Performance-Based Incentive Compensation.*

Our short-term, performance-based incentive compensation program for executive officers provides for incentive payments for each six-month operating season. These incentive payments are based on the attainment of pre-established objective financial goals and are intended to motivate executives to work effectively to achieve financial performance objectives and reward them when objectives are met and results are certified by the Compensation Committee. Our approach for paying the amounts earned in cash and/or stock is described below.

The target cash incentive compensation opportunity for each eligible executive is set at a percentage of base salary. The amount of performance-based incentive compensation earned by participating executives can range from zero to double their incentive target, based upon the extent to which the pre-established financial goals are achieved or exceeded. The threshold, target and maximum short-term performance-based non-equity incentive payout opportunities of our named executive officers for fiscal 2009 are set forth in the Grants of Plan-Based Awards table below. Actual payouts under this plan for fiscal 2009 are set forth below under the heading "Non-Equity Incentive Plan Compensation" in the Summary Compensation Table below.

The pre-established objective financial goals under this plan for fiscal year 2009 were based on operating income, subject to adjustments for extraordinary items as approved by the Committee. Operating income is used because it measures performance over which executives can have significant impact. Operating income is also directly linked to the Company's long range growth plan and to performance that drives stockholder value. For executives that are dedicated to a single brand, their goals are based solely on their brand's operating income. For executives that have enterprise-wide responsibility, their goals are based 80% on a weighted average of the percentage achievement of major brand operating income targets and 20% on total Company operating income.

The following table shows each named executive officer's incentive compensation target percentage of base salary and the operating income performance incentive goals and weighting used to determine the incentive payment:

| Executive Officer | Target % of Base Salary | Performance Incentive Goal Metric and Weighting: Brand Operating Income | Total Limited Brands Operating Income |
|---|---|---|---|
| Mr. Wexner | 160% | 80% weighted average of percentage achievement of Victoria's Secret, Bath & Body Works, LaSenza and Mast operating income targets | 20% |
| Mr. Burgdoerfer | 100% | | |
| Mr. Redgrave | 130% | | |
| Ms. Turney | 150% | 100% Victoria's Secret | 0% |
| Ms. Neal | 110% | 100% Bath & Body Works | 0% |

We set operating income goals at the beginning of each six-month season based on an analysis of historical performance, income expectations for that brand, financial results of other comparable businesses and progress toward achieving our strategic plan.

In 2009, the Compensation Committee set targets that reflected the challenging economic environment, recognizing that historical growth rates were not appropriate considering the significant downturn in the retail environment. The seasonal operating income targets for Spring and Fall, respectively, (by brand), for each of Messrs. Wexner, Burgdoerfer and Redgrave were: Victoria's Secret, $208 million, $292 million; Bath & Body Works, $8 million, $200 million; LaSenza and Mast, $51 million, $91 million; and total Limited Brands (including our remaining smaller brands and corporate expenses), $145 million, $445 million. The relative weight assigned to each brand or category was 52%, 20%, 8% and 20% for Victoria's Secret, Bath & Body Works, LaSenza and Mast, and total Limited Brands, respectively. The operating income growth targets for Ms. Turney are based solely on Victoria's Secret and for Ms. Neal are based solely on Bath & Body Works.

These targets considered the unprecedented economic downturn within the entire retail industry. Accordingly, these operating income targets reflect growth levels below our historical target-setting practice and below what we expect as part of our long-term growth strategy. The targets were designed to motivate our executives, reflect stretch performance that would lead to long-term preservation of stockholder value in an economic downturn and not encourage our executive officers to take unnecessary and excessive risks.

We believe that the incentives under our short-term, performance-based incentive compensation program contributed to executive officer performance that delivered operating income growth, significant improvement in merchandise margin rates, reduction in expenses and an increase in operating cash flow.

We do not believe that disclosure of our 2010 performance targets is relevant to an understanding of compensation for our 2009 fiscal year.

To encourage stock ownership and to foster executive retention, executives can elect to receive up to 25% of their short-term performance-based incentive compensation in the form of Common Stock and receive a match of 25% of the amount elected to be received in stock in the form of a restricted stock grant, subject to three-year cliff vesting. Executives who have not met the minimum ownership requirement are required to receive at least 15% of their incentive compensation payment in the form of Common Stock. For these executives, only the amount elected above the required 15% is matched with a restricted stock grant, as discussed above.

*Equity-Based Incentive Programs.*

The Compensation Committee believes that long-term equity-based compensation encourages performance that enhances stockholder value, thereby further linking leadership and stockholder objectives. Our equity-based incentive program can include stock options, performance-based restricted stock and time vested restricted stock. Executives are awarded equity as part of our annual merit review process based on guidelines which include the Company's performance, the individual's performance and responsibility level, competitive practice and the market price of our Common Stock. In 2009, based on an evaluation of executive officer and Company performance in 2008, stock options and restricted stock were awarded to the named executive officers and are detailed below in the Grants of Plan-Based Awards table.

Equity awards are dated effective the later of the date of approval or the effective date for grants in connection with hirings, promotions, etc.

In connection with the payment to stockholders of the extraordinary cash dividend on April 19, 2010, the Committee will equitably adjust (i) the number of shares available for grant under the Company's Stock Option and Performance Incentive Plan as well as (ii) outstanding awards under the Plan (which, in the case of options, will include adjustments to both the number of shares covered by the option as well as the exercise price), in each case pursuant to the terms of the Plan.

Stock Options.

Stock options comprise 25% of the annual value of the executive's annual equity-based incentive opportunity. Stock options are awarded to align executive interests with stockholder interests by creating a direct link between compensation and stockholder return and to help retain executives. In 2009, stock options were awarded to our named executive officers in the amounts set forth below in the Grants of Plan-Based Awards table. The options granted to each executive officer vest, subject to continued employment, in three equal installments beginning on the first anniversary of the grant date. The exercise price for these options is equal to the closing price of the underlying Common Stock on the grant date.

Restricted Stock.

Restricted stock comprises 75% of the value of executives' annual equity-based incentive opportunity. Restricted stock is awarded to encourage ownership of Company stock, retain superior executive talent, and reward exceptional executive performance.

Restricted stock granted to our executive officers is subject to a performance metric that is designed to meet Internal Revenue Code requirements for tax deductibility. The operating income performance target required for our executive officers to earn the performance-based restricted stock targets granted to our executive officers was achievement of positive operating income for the 2009 fiscal year. Once earned, the restricted stock awards vest on the third anniversary of the grant date, subject to continued employment.

This performance metric is a change from what was used in 2008. The Compensation Committee approved the change to de-couple the payout of restricted stock with the achievement of the performance goals for our short-term cash incentive compensation to mitigate the risk of using a single performance metric for both our short-term cash incentive compensation and our long-term performance-based restricted stock while maintaining the program's tax efficiency and retentive value of the program.

Time-vested restricted stock is awarded to executives as a match on his or her election to receive cash performance-based incentive compensation in stock and as deemed appropriate by the Compensation Committee. The Compensation Committee awarded our named executive officers restricted stock in 2009 in the amounts set forth below in the Grants of Plan-Based Awards table. These awards vest 100% three years from the grant date, subject to continued employment.

*Retirement Plan Benefits.*

The Compensation Committee believes that, in addition to short- and long-term compensation, it is important to provide our executive officers with competitive post-employment compensation. Post-employment compensation consists of two main types—qualified and non-qualified defined contribution retirement plan benefits and termination benefits. The Compensation Committee believes that retirement plan benefits and termination benefits are important components in a well-structured executive officer compensation package, and the Compensation Committee also seeks to ensure that the combined package is competitive at the time the package is negotiated with the executive officer. As discussed below, as the founder of the Company, our CEO is not entitled to any termination benefits.

The Company does not sponsor a defined benefit retirement plan as we do not believe that such a plan best serves the needs of our associates or the business. The Company sponsors a tax-qualified defined contribution retirement plan and a non-qualified supplemental retirement plan. Participation in the qualified plan is available to associates who meet certain age and service requirements. Participation in the non-qualified plan is made available to associates who meet certain age, service, job level and compensation requirements. Our executive officers participate in these plans based on these requirements.

The qualified plan permits participating associates to elect contributions up to the maximum limits allowable under the Internal Revenue Code. The Company matches associates' contributions according to a predetermined formula and contribute additional amounts based on a percentage of the associates' eligible annual compensation and years of service. Associates' contributions and Company matching contributions vest immediately. Additional Company contributions and the related investment earnings are subject to vesting based on years of service.

The non-qualified plan is an unfunded plan which provides benefits beyond the Internal Revenue Code limits for qualified defined contribution plans. The plan permits participating associates to elect contributions up to a maximum percentage of eligible compensation. The Company matches associates' contributions according to a predetermined formula and contributes additional amounts based on a percentage of the associates' eligible compensation and years of service. The plan also permits participating associates to defer additional compensation up to a maximum amount which the Company does not match.

Associates' 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. Historically, the application of this formula has resulted in a rate that is considered "above market" as defined by SEC guidelines. For 2009, the rate determined by this formula was scaled back to reduce the above market component of the rate. However, we believe that borrowing rates continue to be an important consideration in determining the rate because unfunded associate contributions to the plan have a positive impact on cash flow thus reducing the borrowing needs of the Company.

Associates' contributions and the related interest vest immediately. Company contributions and credits and the related interest are subject to vesting based on years of service. Associates generally may elect in-service distributions for the unmatched deferred compensation component only. The remaining vested portion of associates' accounts in the plan will be distributed upon termination of employment in either a lump sum or in equal annual installments over a specified period of up to 10 years.

Additional tabular disclosure of certain termination benefits is set forth below under the heading "Retirement and Other Post-Employment Benefits."

*Perquisites.*

We provide our executive officers with perquisites that the Compensation Committee believes are reasonable and in the best interests of the Company and its stockholders. We provide our executive officers reimbursement of financial planning costs of up to $15,000. We also provide reimbursement of up to $10,000 of eligible medical costs not covered under the Company's standard health benefit package. Ms. Turney has a life insurance policy with premiums that are paid by the Company. We also provide for tax equalization payments on certain taxable income in order to maximize the benefit provided by such items.

The Board of Directors has approved a security program (the "Security Program") that provides security services to Mr. Wexner and his family. We require these security measures for our benefit and believe these security costs are appropriate given the risks associated with Mr. Wexner's role and position. We periodically hire a third party to review our Security Program to verify that a bona fide business oriented security concern exists and that the Security Program costs are reasonable and consistent with these concerns. The next scheduled review of the Security Program will occur in 2010.

The Security Program also requires Mr. Wexner to use corporate provided aircraft, or private aircraft that is in compliance with the Security Program, whether the purpose of the travel is business or personal. To the extent any of the corporate provided aircraft is used by Mr. Wexner or any executive officer for personal purposes, as a general rule, he or she has reimbursed the Company based on the greater of the amount established by the IRS as reasonable for personal use or the aggregate incremental cost associated with the personal use of the corporate owned aircraft as determined by an independent, third party aircraft costing service.

*Severance Agreements and Change in Control Agreements.*

The Compensation Committee believes that severance arrangements have unique characteristics and value. For example, severance agreements are required for prospective executives to accept employment with Limited Brands who may forego significant bonuses and equity awards at the companies they are leaving or who face relocation expenses and family disruption. Generally, executives are not willing to accept such risks and costs without protection in the event their employment is terminated due to unanticipated changes, including a change in control. Additionally, executives often look to severance agreements to provide protection for lost professional opportunities in the event of a change in control and consequently assign significant value to them. The Compensation Committee believes that our current severance arrangements protect stockholder interests by retaining management should periods of uncertainty arise. Because our severance arrangements are structured to serve the above purposes and because severance agreements represent a contractual obligation of our Company, decisions relating to other elements of compensation have minimal effect on decisions relating to existing severance agreements.

Due to his unique role as the founder of the Company, Mr. Wexner is not covered by a severance or change in control agreement. However, under the terms of our Stock Option and Performance Incentive Plan, in the event of a change in control or death, all unvested stock awards will become vested. Also under the plan, upon retirement, Mr. Wexner's restricted stock will vest pro-rata based on the fraction of whole months from the grant date over the full vesting period (i.e., one-third will vest if twelve full months are completed from the grant date for a grant that otherwise would vest 100% three years from the grant date).

We have entered into severance and change in control agreements with our named executive officers other than Mr. Wexner as noted above. The benefits payable under these arrangements in certain circumstances are disclosed elsewhere in this proxy statement. These agreements generally provide that, if we fail to extend the executive's agreement or terminate the executive's employment without cause, or if the executive terminates the executive's employment for good reason, the executive will continue to receive the executive's base salary for one year after the termination date. If the executive agrees to execute a general release of claims against the Company, the executive will also be entitled to receive an additional year of salary continuation and the amount of the incentive compensation that the executive would have otherwise received during the first year after termination. In connection with a change in control of Limited Brands, in the event that the executive's employment is terminated either by us without cause or by the executive for good reason, subject to the executive's execution of a general release of claims against us, the executive would be entitled to a severance benefit equal to two times the executive's base salary, plus an amount equal to the sum of the executive's four previous semi-annual payouts under our incentive compensation plan, together with a pro-rata amount for the incentive compensation performance period in which the executive's employment terminated. In addition, any unvested stock awards would become vested. In the event any "parachute" excise tax is imposed on the executive, certain executives will be entitled to tax reimbursement payments.

*Share Ownership Guidelines.*

The Compensation Committee strongly encourages share ownership by the Company's executives. In January 2005, the Company introduced minimum shareholding guidelines to be met by 2010 for the executive officer group. Any individual promoted or hired into a position subject to these guidelines will have a five-year period in which to meet the share ownership requirements. The shareholding requirements reflect the value of shares held and can be met through direct or beneficial ownership of shares, including shares held through the Company's stock and retirement plans. In addition to aligning the interests of our executive officers with those of our stockholders, the share ownership guidelines promote a long-term focus and discourage inappropriate risk-taking.

| Title | Share Ownership Guideline |
|---|---|
| Chief Executive Officer | 5 times base salary |
| Other Named Executive Officers | 3 times base salary |

All of the named executive officers hold shares with a value in excess of the ownership guidelines as of the end of the 2009 fiscal year. Details regarding the ownership of shares by the named executive officers are set forth below on the Security Ownership of Directors and Management table.

In addition to share ownership guidelines for executives, after four years of membership on the Board, members of our Board of Directors must maintain ownership of at least the number of shares received as Board compensation over the previous four years.

*Other—Tax Deductibility.*

The Compensation Committee seeks to structure executive compensation in a tax efficient manner. The Limited Brands 2007 Cash Incentive Compensation Performance Plan is intended to qualify payments under the Company's performance-based incentive compensation program for tax deductibility under Section 162(m) of the Internal Revenue Code. The Compensation Committee has elected not to adopt a policy requiring all compensation to be tax deductible to maintain flexibility in structuring executive compensation to attract highly qualified executive talent and to further our business goals and compensation philosophy.

*CEO Compensation.*

Mr. Wexner has been CEO since founding the Company in 1963. Limited Brands conducts the same type of competitive review and analysis to determine base salary and incentive guidelines for Mr. Wexner's position as it does for the other named executive officers.

In 2009, as in prior years, in establishing Mr. Wexner's compensation package the Compensation Committee considered competitive practices, the extent to which the Company achieved operating income and sales objectives, progress regarding brand strategy, and the continued recruitment and development of key leadership talent. These factors are considered in the aggregate, and none of these factors are assigned a specific weight.

As described earlier, the Compensation Committee continues to emphasize variable, performance-based compensation components for all executives, including Mr. Wexner. Accordingly, in 2009 Mr. Wexner was awarded stock options and restricted stock with a targeted value of approximately $2.4 million and there was no change to Mr. Wexner's base salary or his incentive compensation target.

In fiscal 2009, the Company posted net sales of $8.6 billion, a decrease of 5% compared to net sales in fiscal 2008. Fiscal 2009 net income was $448 million, which was 104% above net income for fiscal 2008. In 2009, earnings per diluted share were $1.37 per share, an increase of 111% compared to fiscal 2008 earnings per diluted share. In 2009, net income included the following items:

- A pre-tax gain of $9 million, $14 million net of related tax benefits, associated with the reversal of an accrued contractual liability as a result of the divestiture of a joint venture;

- A tax benefit of $23 million primarily related to the reorganization of certain foreign subsidiaries; and

- A tax benefit of $9 million primarily due to the resolution of certain tax matters.

(The corresponding results determined in accordance with generally accepted accounting principles are included in Item 8 of the Financial Statements and Supplementary Data of Limited Brands' 2009 Annual Report on Form 10-K which is being sent with this proxy statement).

These fiscal 2009 results were above targeted performance objectives established by the Compensation Committee for the Spring and Fall seasons. As a result, the annual cash incentive payment earned by Mr. Wexner was above target level for the year.

### Summary Compensation Table

The following table sets forth information concerning total compensation earned by or paid to our CEO, Chief Financial Officer and our three other most highly compensated executive officers during the fiscal year ended January 30, 2010 (the "named executive officers").

| Name and Principal Position | Year | Salary ($) | Bonus ($)(1) | Stock Awards ($)(2)(3) | Option Awards ($)(2)(3) | Non-Equity Incentive Plan Compensation ($)(4) | Change in Pension Value and Non-qualified Deferred Compensation Earnings ($)(5) | All Other Compensation ($)(6) | Total ($) |
|---|---|---|---|---|---|---|---|---|---|
| Leslie H. Wexner | 2009 | $1,924,000 | $ 0 | $ 1,882,327 | $507,794 | $4,897,119 | $388,325 | $1,222,405 | $10,821,970 |
| Chairman of the Board, CEO | 2008 | 1,909,769 | 0 | 1,329,447 | 585,386 | 1,523,192 | 252,015 | 1,312,532 | 6,912,341 |
| | 2007 | 1,834,615 | 0 | 494,535 | 746,490 | 436,896 | 129,397 | 1,588,885 | 5,230,818 |
| Sharen J. Turney | 2009 | 1,250,000 | 1,925,023 | 955,093 | 257,654 | 2,682,750 | 185,320 | 383,754 | 7,639,594 |
| Executive Vice President, | 2008 | 1,240,385 | 2,006,173 | 15,260,956 | 198,527 | 1,090,500 | 112,060 | 458,882 | 20,367,483 |
| CEO/President, Victoria's Secret | 2007 | 1,180,769 | 857,144 | 922,090 | 0 | 274,176 | 52,850 | 509,998 | 3,797,027 |
| Martyn R. Redgrave | 2009 | 1,040,000 | 0 | 651,251 | 171,545 | 2,150,762 | 29,117 | 210,571 | 4,253,246 |
| Executive Vice President, | 2008 | 1,032,308 | 0 | 2,912,045 | 237,318 | 668,970 | 45,465 | 219,797 | 5,115,903 |
| Chief Administrative Officer | 2007 | 990,385 | 0 | 157,642 | 604,903 | 177,120 | 18,541 | 204,924 | 2,153,515 |
| Diane L. Neal | 2009 | 927,000 | 0 | 566,805 | 152,906 | 2,039,400 | 35,820 | 163,366 | 3,885,297 |
| Executive Vice President, | 2008 | 921,808 | 0 | 2,334,992 | 141,022 | 241,873 | 16,683 | 121,047 | 3,777,425 |
| CEO, Bath & Body Works | 2007 | 865,385 | 0 | 344,966 | 49,065 | 288,000 | 5,646 | 1,906 | 1,554,968 |
| Stuart B. Burgdoerfer | 2009 | 725,000 | 0 | 573,938 | 149,280 | 1,153,330 | 9,037 | 159,378 | 2,769,963 |
| Executive Vice President, | 2008 | 710,577 | 0 | 1,572,102 | 110,291 | 358,730 | 3,336 | 174,315 | 2,929,351 |
| Chief Financial Officer | 2007 | 636,538 | 0 | 232,780 | 91,868 | 208,000 | 421 | 337,282 | 1,506,889 |

(1) Performance-based incentive compensation bonuses are disclosed in this table under Non-Equity Incentive Plan Compensation. The 2009 amount represents a cash payment to Ms. Turney in connection with a guaranteed minimum gain on the options awarded under Ms. Turney's employment offer in 2000.

(2) The value of stock and option awards reflects the 2009 grant date fair value, excluding estimated forfeitures, computed in accordance with Accounting Standards Codification ("ASC") Subtopic 718 *Compensation—Stock Compensation*, for each award. Stock options are valued using the Black-Scholes option pricing model with the assumptions as set forth in Note 20 to the Company's financial statements filed on March 26, 2010 on Form 10-K for stock options granted during the 2009, 2008 and 2007 fiscal years.

(3) Stock and option awards were granted to each executive officer under the Company's amended and restated 1993 Stock Option and Performance Incentive Plan.

The value of stock awards granted in 2008 includes special performance-based restricted stock grants awarded to Ms. Turney, Mr. Redgrave, Ms. Neal and Mr. Burgdoerfer intended to assure retention, drive performance and further alignment with stockholder interests. These awards, with the exception of the grant to Ms. Turney, vest 100% three years from the date of grant, subject to continued employment. Ms. Turney's award was designed to provide significant retentive value and vests over seven years, 40% after four years and 20% after each of five, six and seven years, subject to continued employment. In addition to the vesting requirement, these awards were earned subject to the achievement of operating income as a percentage of sales above the median of this performance measure for the companies listed in the S&P 500 Retailing Index in 2008.

(4) Represents the aggregate of the non-equity performance-based incentive compensation for the applicable fiscal Spring and Fall selling seasons. Incentive compensation targets are set based on a percentage of base pay and are paid seasonally based on the achievement of operating income results. The following table illustrates the amount of the compensation paid in cash, stock and voluntarily deferred:

| | Paid in Cash | Paid in Stock | Deferred Cash | Deferred Stock | Total |
|---|---|---|---|---|---|
| Mr. Wexner | $4,897,119 | $ 0 | $ 0 | $0 | $4,897,119 |
| Ms. Turney | 2,603,848 | 0 | 78,902 | 0 | 2,682,750 |
| Mr. Redgrave | 1,762,983 | 325,806 | 61,973 | 0 | 2,150,762 |
| Ms. Neal | 1,981,290 | 0 | 58,110 | 0 | 2,039,400 |
| Mr. Burgdoerfer | 815,276 | 302,119 | 35,935 | 0 | 1,153,330 |

(5) Limited Brands does not sponsor any tax-qualified or non-qualified defined benefit retirement plans. For fiscal 2009, the amounts shown represent the amount by which earnings of 7.75%, compounded monthly, on each executive officer's non-qualified deferred compensation account balance exceeds 120% of the applicable federal long-term rate.

(6) The following table details all other compensation paid to each executive officer during our last fiscal year:

| | Financial planning services provided to executive | Life insurance premiums paid on executive's behalf | Tax equal-ization payments | Reimburse-ment of medical costs not covered by the Company's standard health plan | Housing and relocation benefits | Security services paid by the Company | Personal use of corporate-provided aircraft(a) | Company contributions to the executive's qualified and non-qualified retirement plan account | Total |
|---|---|---|---|---|---|---|---|---|---|
| Mr. Wexner | $ 0 | $ 0 | $10,847 | $4,784 | $0 | $930,000 | $0 | $276,774 | $1,222,405 |
| Ms. Turney | 9,500 | 7,730 | 17,071 | 2,352 | 0 | 0 | 0 | 347,101 | 383,754 |
| Mr. Redgrave | 0 | 0 | 7,299 | 1,736 | 0 | 0 | 0 | 201,536 | 210,571 |
| Ms. Neal | 0 | 0 | 4,430 | 357 | 0 | 0 | 0 | 158,579 | 163,366 |
| Mr. Burgdoerfer | 3,500 | 0 | 4,842 | 6,988 | 0 | 0 | 0 | 144,048 | 159,378 |

(a) The Company may make corporate-provided aircraft available to executive officers for personal purposes. In consideration, in most cases the executive officer has reimbursed the Company based on the greater of the amount established by the IRS as reasonable for personal use or the aggregate incremental cost associated with the personal use of the corporate owned aircraft as determined by an independent, third party aircraft costing service.

## Grants of Plan-Based Awards for Fiscal 2009

The following table provides information relating to plan-based awards and opportunities granted to the named executive officers during the fiscal year ended January 30, 2010.

| Name | Grant Date | Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1) Threshold ($) | Target ($) | Maximum ($) | Estimated Future Payouts Under Equity Incentive Plan Awards(2) Threshold (#) | Target (#) | Maximum (#) | All Other Stock Awards: Number of Shares of Stock or Units (#)(3) | All Other Option Awards: Number of Securities Underlying Options (#)(4) | Exercise or Base Price of Option Awards ($/Sh) | Grant Date Fair Value of Stock and Option Awards ($)(5) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Leslie H. Wexner | 3/31/2009 | | | | 0 | 0 | 0 | 0 | 271,620 | $8.70 | $ 507,794 |
| | 3/31/2009 | | | | 271,620 | 271,620 | 271,620 | 271,620 | 0 | 0 | 1,882,327 |
| | | $615,680 | $3,078,400 | $6,156,800 | | | | | | | |
| Sharen J. Turney | 3/31/2009 | | | | 0 | 0 | 0 | 0 | 137,820 | 8.70 | 257,654 |
| | 3/31/2009 | | | | 137,820 | 137,820 | 137,820 | 137,820 | 0 | 0 | 955,093 |
| | | 375,000 | 1,875,000 | 3,750,000 | | | | | | | |
| Martyn R. Redgrave | 3/31/2009 | | | | 0 | 0 | 0 | 0 | 91,760 | 8.70 | 171,545 |
| | 3/31/2009 | | | | 91,760 | 91,760 | 91,760 | 91,760 | 0 | 0 | 635,897 |
| | 9/4/2009 | | | | 0 | 0 | 0 | 1,129 | 0 | 0 | 15,354 |
| | | 270,400 | 1,352,000 | 2,704,000 | | | | | | | |
| Diane L. Neal | 3/31/2009 | | | | 0 | 0 | 0 | 0 | 81,790 | 8.70 | 152,906 |
| | 3/31/2009 | | | | 81,790 | 81,790 | 81,790 | 81,790 | 0 | 0 | 566,805 |
| | | 203,940 | 1,019,700 | 2,039,400 | | | | | | | |
| Stuart B. Burgdoerfer | 3/31/2009 | | | | 0 | 0 | 0 | 0 | 79,850 | 8.70 | 149,280 |
| | 3/31/2009 | | | | 79,850 | 79,850 | 79,850 | 79,850 | 0 | 0 | 553,361 |
| | 9/4/2009 | | | | 0 | 0 | 0 | 1,513 | 0 | 0 | 20,577 |
| | | 145,000 | 725,000 | 1,450,000 | | | | | | | |

(1) Non-Equity Incentive Plan Awards represent the Threshold, Target and Maximum opportunities under the Company's Performance-Based Incentive Compensation Plan for the 2009 Spring and Fall seasons. The actual amount earned under this plan is disclosed in the Summary Compensation Table under Non-Equity Incentive Plan Compensation.

(2) Equity Incentive Plan Awards represent the Threshold, Target and Maximum payments of performance-based restricted stock for the 2009 fiscal year. The actual number of performance-based restricted stock shares earned is disclosed in the "All Other Stock Awards: Number of Shares of Stock or Units" column of this table.

(3) Stock Awards were granted pursuant to the Company's amended and restated 1993 Stock Option and Performance Incentive Plan.

Stock Awards granted to Mr. Wexner, Ms. Turney, Mr. Redgrave, Ms. Neal, and Mr. Burgdoerfer on March 31, 2009 were earned based on achievement of the operating income target for fiscal 2009 and vest on March 31, 2012.

Stock Awards granted on September 4, 2009, represent awards made in connection with each executive officer's election to receive a portion of his or her cash-based incentive compensation bonus in shares of Common Stock. The grants were made based on the Spring 2009 bonus. These grants vest 100% three years from the grant date, subject to continued employment and retention of the incentive compensation paid in stock in lieu of cash.

In each case, the vesting of these awards is subject to continued employment.

Dividends are not paid or accrued on stock awards or stock units until such shares vest.

(4) Option Awards were granted pursuant to the Company's amended and restated 1993 Stock Option and Performance Incentive Plan. Option grant dates were established on the date the grants were approved by the Compensation Committee of the Board and the Exercise Price is the closing price of Company's stock on the grant date.

Option Awards granted on March 31, 2009, were granted in connection with the Company's long-term incentive program. These grants vest in three equal installments beginning on the first anniversary of the grant date, subject to continued employment.

(5) The value of stock and option awards reflects the grant date fair value under ASC Subtopic 718 *Compensation—Stock Compensation* for each award. Options are valued using the Black-Scholes option pricing model with the following assumptions as set forth in the Company's financial statements filed on March 26, 2010, on Form 10-K for the 2009 fiscal year: dividend yield of 6.8%, volatility of 45%, risk free interest rate of 1.4%, and expected life of 3.8 years. Restricted stock is valued based on the fair market value of a share of Common Stock on the date of grant, adjusted for anticipated dividend yields.

## Outstanding Equity Awards at Fiscal Year-End for Fiscal 2009

The following table provides information relating to outstanding equity awards granted to the named executive officers at fiscal year end, January 30, 2010.

| | Option Awards | | | | | | Restricted Stock Awards | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Name** | **Grant Date** | **Number of Securities Underlying Unexercised Options Exercisable (#)** | **Number of Securities Underlying Unexercised Options Un-exercisable (#)** | **Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)** | **Option Exercise Price ($)** | **Option Expiration Date** | **Grant Date** | **Number of Shares or Units of Stock That Have Not Vested (#)** | **Market Value of Shares or Units of Stock That Have Not Vested ($)(21)** | **Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)** | **Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)** |
| Leslie H. Wexner | 2/4/2002 | 421,600 | 0 | 0 | $16.84 | 2/4/2012 | | | | | |
| | 2/3/2003 | 379,440 | 0 | 0 | 12.01 | 2/3/2013 | | | | | |
| | 2/2/2004 | 379,440 | 0 | 0 | 17.78 | 2/2/2014 | | | | | |
| | 3/31/2005 | 330,000 | 0 | 0 | 24.30 | 3/31/2015 | | | | | |
| | 3/31/2006 | 61,875 | 20,625(1) | 0 | 24.46 | 3/31/2016 | | | | | |
| | 3/30/2007 | 53,250 | 53,250(2) | 0 | 26.06 | 3/30/2017 | | | | | |
| | 3/31/2008 | 42,193 | 126,579(3) | 0 | 17.10 | 3/31/2018 | | | | | |
| | 3/31/2009 | 0 | 271,620(3) | 0 | 8.70 | 3/31/2019 | | | | | |
| | | | | | | | 3/9/2007 | 4,300(9) | $ 81,786 | 0 | 0 |
| | | | | | | | 3/31/2008 | 83,508(10) | 1,588,322 | 0 | 0 |
| | | | | | | | 3/31/2009 | 271,620(11) | 5,166,212 | 0 | 0 |
| Sharen J. Turney | 2/3/2003 | 26,350 | 0 | 0 | 12.01 | 2/3/2013 | | | | | |
| | 2/2/2004 | 70,266 | 0 | 0 | 17.78 | 2/2/2014 | | | | | |
| | 3/31/2005 | 100,000 | 0 | 0 | 24.30 | 3/31/2015 | | | | | |
| | 3/31/2006 | 11,250 | 3,750(1) | 0 | 24.46 | 3/31/2016 | | | | | |
| | 3/31/2008 | 14,309 | 42,928(3) | 0 | 17.10 | 3/31/2018 | | | | | |
| | 3/31/2009 | 0 | 137,820(3) | 0 | 8.70 | 3/31/2019 | | | | | |
| | | | | | | | 3/9/2007 | 1,183(9) | 22,501 | 0 | 0 |
| | | | | | | | 3/30/2007 | 11,111(12) | 211,331 | 0 | 0 |
| | | | | | | | 9/7/2007 | 278(13) | 5,288 | 0 | 0 |
| | | | | | | | 3/31/2008 | 33,289(10) | 633,157 | 0 | 0 |
| | | | | | | | 3/31/2008 | 22,222(14) | 422,662 | 0 | 0 |
| | | | | | | | 3/31/2008 | 1,000,000(15) | 19,020,000 | 0 | 0 |
| | | | | | | | 3/31/2009 | 137,820(11) | 2,621,336 | 0 | 0 |
| Martyn R. Redgrave | 3/8/2005 | 150,000 | 0 | 0 | 24.61 | 3/8/2015 | | | | | |
| | 3/31/2006 | 11,250 | 3,750(1) | 0 | 24.46 | 3/31/2016 | | | | | |
| | 5/24/2006 | 56,250 | 18,750(4) | 0 | 26.99 | 5/24/2016 | | | | | |
| | 6/22/2006 | 16,500 | 5,500(5) | 0 | 25.32 | 6/22/2016 | | | | | |
| | 3/30/2007 | 43,150 | 43,150(2) | 0 | 26.06 | 3/30/2017 | | | | | |
| | 3/31/2008 | 17,105 | 51,316(3) | 0 | 17.10 | 3/31/2018 | | | | | |
| | 3/31/2009 | 0 | 91,760(3) | 0 | 8.70 | 3/31/2019 | | | | | |
| | | | | | | | 3/9/2007 | 1,731(9) | 32,924 | 0 | 0 |
| | | | | | | | 9/7/2007 | 515(13) | 9,795 | 0 | 0 |
| | | | | | | | 3/31/2008 | 33,855(10) | 643,922 | 0 | 0 |
| | | | | | | | 3/31/2008 | 152,100(16) | 2,892,942 | 0 | 0 |
| | | | | | | | 9/5/2008 | 2,021(17) | 38,439 | 0 | 0 |
| | | | | | | | 3/31/2009 | 91,760(11) | 1,745,275 | 0 | 0 |
| | | | | | | | 9/4/2009 | 1,129(18) | 21,474 | 0 | 0 |
| Diane L. Neal | 11/20/2006 | 18,750 | 6,250(6) | 0 | $30.67 | 11/20/2016 | | | | | |
| | 3/30/2007 | 3,500 | 3,500(2) | 0 | 26.06 | 3/30/2017 | | | | | |
| | 3/31/2008 | 10,164 | 30,494(3) | 0 | 17.10 | 3/31/2018 | | | | | |
| | 3/31/2009 | 0 | 81,790(3) | 0 | 8.70 | 3/31/2019 | | | | | |
| | | | | | | | 7/27/2007 | 15,560(19) | 295,951 | 0 | 0 |
| | | | | | | | 3/31/2008 | 9,644(10) | 183,429 | 0 | 0 |
| | | | | | | | 3/31/2008 | 135,600(16) | 2,579,112 | 0 | 0 |
| | | | | | | | 3/31/2009 | 81,790(11) | 1,555,646 | 0 | 0 |

| | Option Awards | | | | | | Restricted Stock Awards | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Name** | **Grant Date** | **Number of Securities Underlying Unexercised Options Exercisable (#)** | **Number of Securities Underlying Unexercised Options Un-exercisable (#)** | **Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)** | **Option Exercise Price ($)** | **Option Expiration Date** | **Grant Date** | **Number of Shares or Units of Stock That Have Not Vested (#)** | **Market Value of Shares or Units of Stock That Have Not Vested ($)(21)** | **Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)** | **Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)** |
| Stuart B. Burgdoerfer | 11/2/2006 | 37,500 | 12,500(7) | 0 | $29.66 | 11/2/2016 | | | | | |
| | 4/9/2007 | 6,248 | 6,252(8) | 0 | 26.86 | 4/9/2017 | | | | | |
| | 3/31/2008 | 7,949 | 23,849(3) | 0 | 17.10 | 3/31/2018 | | | | | |
| | 3/31/2009 | 0 | 79,850(3) | 0 | 8.70 | 3/31/2019 | | | | | |
| | | | | | | | 4/9/2007 | 8,750(20) | $ 166,425 | 0 | $0 |
| | | | | | | | 3/31/2008 | 15,734(10) | 299,261 | 0 | 0 |
| | | | | | | | 3/31/2008 | 84,800(16) | 1,612,896 | 0 | 0 |
| | | | | | | | 9/5/2008 | 1,051(17) | 19,990 | 0 | 0 |
| | | | | | | | 3/31/2009 | 79,850(11) | 1,518,747 | 0 | 0 |
| | | | | | | | 9/4/2009 | 1,513(18) | 28,777 | 0 | 0 |

(1) Options vest 100% on March 31, 2010.

(2) Options vest 50% on March 30, 2010 and 50% on March 30, 2011.

(3) Options vest 1/3 on March 31, 2010, 1/3 on March 31, 2011 and 1/3 on March 31, 2012.

(4) Options vest 100% on May 24, 2010.

(5) Options vest 100% on June 22, 2010.

(6) Options vest 100% on November 20, 2010.

(7) Options vest 100% on November 2, 2010.

(8) Options vest 50% on April 9, 2010 and 50% on April 9, 2011.

(9) Shares vest 100% on March 9, 2010.

(10) Shares vest 100% on March 31, 2010.

(11) Shares vest 100% on March 31, 2012.

(12) Shares vest 100% on March 30, 2010.

(13) Shares vest 100% on September 7, 2010.

(14) Shares vest 50% on March 31, 2010 and 50% on March 31, 2011.

(15) Shares vest 40% on March 31, 2012, 20% on March 31, 2013, 20% on March 31, 2014 and 20% on March 31, 2015.

(16) Shares vest 100% on March 31, 2011.

(17) Shares vest 100% on September 5, 2011.

(18) Shares vest 100% on September 4, 2012.

(19) Shares vest 100% on July 27, 2010.

(20) Shares vest 100% on April 9, 2010.

(21) Market value based on the $19.02 fair market value of a share of Common Stock on the last trading day of the fiscal year (January 29, 2010).

## Option Exercises and Stock Vested Information for Fiscal 2009

The following table provides information relating to Option Awards exercised and Restricted Stock Awards vested during the fiscal year ended January 30, 2010.

| | Option Awards | | Restricted Stock Awards | |
|---|---|---|---|---|
| Name | Number of Shares Acquired on Exercise (#) | Value Realized on Exercise ($)(1) | Number of Shares Acquired on Vesting (#) | Value Realized on Vesting ($)(2) |
| Leslie H. Wexner | 0 | $0 | 80,517 | $723,773 |
| Sharen J. Turney | 0 | 0 | 51,669 | 507,553 |
| Martyn R. Redgrave | 0 | 0 | 46,190 | 361,896 |
| Diane L. Neal | 0 | 0 | 21,000 | 362,250 |
| Stuart B. Burgdoerfer | 0 | 0 | 20,554 | 363,711 |

(1) Option Award Value Realized is calculated based on the difference between the sale price and the option exercise price.

(2) Restricted Stock Award Value Realized is calculated based on the closing stock price on the date the Restricted Stock Award vested.

## Retirement and Other Post-Employment Benefits

### Non-qualified Deferred Compensation for Fiscal 2009(1)

| Name | Executive Contributions in Last FY ($)(2) | Registrant Contributions in Last FY ($)(3) | Aggregate Earnings in Last FY ($)(4) | Aggregate Withdrawals/ Distributions ($)(5) | Aggregate Balance at Last FYE ($)(6) |
|---|---|---|---|---|---|
| Leslie H. Wexner | $ 0 | $262,454 | $1,122,954 | $ 0 | $15,149,023 |
| Sharen J. Turney | 207,454 | 322,981 | 548,044 | 0 | 7,815,596 |
| Martyn R. Redgrave | 126,329 | 180,996 | 112,583 | 2,096,147 | 1,851,760 |
| Diane L. Neal | 286,666 | 147,839 | 103,584 | 0 | 1,604,949 |
| Stuart B. Burgdoerfer | 26,738 | 119,928 | 26,133 | 0 | 415,118 |

(1) Amounts disclosed include non-qualified cash deferrals, Company matching contributions, retirement credits and earnings under the Company's Supplemental Retirement Plan (a non-qualified plan) and stock deferrals and related reinvested dividend earnings under the Company's Stock Option and Performance Incentive Plan. Executive Contributions and related matching Registrant Contributions represent 2009 calendar year deferrals and match on incentive compensation payments earned based on performance for the Fall 2008 season, which was paid in March 2009, and for the Spring 2009 season, which was paid in September 2009.

(2) Cash contributions in the amount of $186,330, $46,498, $286,666, and $26,738 for executive officers Turney, Redgrave, Neal and Burgdoerfer, respectively, are reported in the Summary Compensation Table as Salary and/or Non-Equity Incentive Plan Compensation. Deferred stock unit contributions of $21,124 for Ms. Turney and $79,831 for Mr. Redgrave relate to their election to defer receipt of restricted stock units that vested on March 30, 2009 and March 31, 2009, respectively, and are included in the Option Exercises and Stock Vested Information for Fiscal 2009 table.

(3) Reflects the Company's 200% match of up to 3% of associate contributions of base salary and bonus above the IRS qualified plan maximum compensation limit and the Company's contribution of 6% for less than 5 years of service or 8% for 5 or more years of service of compensation above the IRS qualified plan maximum compensation limit. Associates become fully vested in these contributions after six years of service. These contributions are also included in the All Other Compensation column of the Summary Compensation Table.

(4) Non-qualified deferred cash compensation balances earn a fixed rate of interest determined prior to the beginning of each year based on the Company's borrowing rates. For 2009, this interest rate was 7.75%, compounded monthly. The portion of the earnings on deferred cash compensation that exceeds 120% of the applicable federal long-term rate is disclosed in the Change in Pension Value and Non-qualified Deferred Compensation Earnings column of the Summary Compensation Table.

Balance includes dividends earned on deferred stock and restricted stock unit balances in the amount of $12,137 and $28,384 for executive officers Turney and Redgrave, respectively. Dividends are reinvested into additional stock units based on the closing market price of the Company's Common Stock on the dividend payment date.

(5) Participants may elect to receive the funds in a lump sum or in up to 10 annual installments following termination of employment, but generally may not make withdrawals during their employment. Amounts shown reflect permitted withdrawals in 2009 pursuant to IRS regulations. Deferrals under the Supplemental Retirement Plan and the Stock Option and Performance Incentive Plan are unfunded.

(6) Balance includes the value of deferred stock and restricted stock units at calendar year-end in the amount of $406,303 and $966,962 for executive officers Turney and Redgrave, respectively. Value is calculated based on a stock price of $19.02 per share of Common Stock on January 29, 2010.

*Estimated Post-Employment Payments and Benefits*

We have entered into certain agreements with our executive officers that will require us to provide compensation in the event of a termination of employment, including a termination following a change in control of our Company. Mr. Wexner is not covered by such an agreement but is entitled to termination compensation under the terms of our benefit and stock plans. The following tables set forth the expected benefit to be received by each named executive officer in the event of his termination resulting from various scenarios, assuming a termination date of January 30, 2010 and a stock price of $19.02, the price of our Common Stock on January 29, 2010.

Assumptions and explanations of the numbers set forth in the tables below are set forth in additional text following the tables.

*Leslie H. Wexner*

| | Voluntary Resignation | Involuntary w/out Cause or Voluntary w/Good Reason: w/out Release | Involuntary w/out Cause or Voluntary w/Good Reason: & Signed Release | Involuntary w/out Cause following Change in Control | Death | Disability | Retirement |
|---|---|---|---|---|---|---|---|
| **Cash Severance(1)** | | | | | | | |
| Base Salary | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 |
| Bonus(2) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Cash Severance | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Long Term Incentives** | | | | | | | |
| Gain of Accelerated Stock Options(3) | 0 | 0 | 0 | 3,046,150 | 3,046,150 | 0 | 0 |
| Value of Accelerated Restricted Stock(3) | 0 | 0 | 2,482,947 | 6,836,321 | 6,836,321 | 2,482,947 | 2,482,947 |
| Total Value of Long-Term Incentives | 0 | 0 | 2,482,947 | 9,882,471 | 9,882,471 | 2,482,947 | 2,482,947 |
| Benefits and Perquisites(4) | 0 | 0 | 0 | 0 | 2,000,000 | 796,000 | 0 |
| Tax Gross-Up | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Total | $ 0 | $ 0 | $2,482,947 | $9,882,471 | $11,882,471 | $3,278,947 | $2,482,947 |

*Sharen J. Turney*

| | Voluntary Resignation | Involuntary w/out Cause or Voluntary w/Good Reason: w/out Release | Involuntary w/out Cause or Voluntary w/Good Reason: & Signed Release | Involuntary w/out Cause following Change in Control | Death | Disability | Retirement |
|---|---|---|---|---|---|---|---|
| **Cash Severance(1)** | | | | | | | |
| Base Salary | $ 0 | $1,250,000 | $ 2,500,000 | $ 2,500,000 | $ 0 | $ 0 | $ 0 |
| Bonus(2) | 0 | 0 | 1,875,000 | 3,773,250 | 0 | 0 | 0 |
| Total Cash Severance | 0 | 1,250,000 | 4,375,000 | 6,273,250 | 0 | 0 | 0 |
| **Long Term Incentives** | | | | | | | |
| Gain of Accelerated Stock Options(3) | 0 | 0 | 0 | 1,504,724 | 1,504,724 | 0 | 0 |
| Value of Accelerated Restricted Stock(3) | 0 | 0 | 6,474,066 | 22,936,275 | 22,936,275 | 6,474,066 | 0 |
| Total Value of Long-Term Incentives | 0 | 0 | 6,474,066 | 24,440,999 | 24,440,999 | 6,474,066 | 0 |
| Benefits and Perquisites(4) | 7,086 | 27,672 | 37,966 | 37,966 | 5,000,000 | 1,262,232 | 7,086 |
| Tax Gross-Up | N/A | N/A | N/A | 6,637,332 | N/A | N/A | N/A |
| Total | $7,086 | $1,277,672 | $10,887,032 | $37,389,547 | $29,440,999 | $7,736,298 | $7,086 |

*Martyn R. Redgrave*

| | Voluntary Resignation | Involuntary w/out Cause or Voluntary w/Good Reason: w/out Release | Involuntary w/out Cause or Voluntary w/Good Reason: & Signed Release | Involuntary w/out Cause following Change in Control | Death | Disability | Retirement |
|---|---|---|---|---|---|---|---|
| **Cash Severance(1)** | | | | | | | |
| Base Salary | $ 0 | $1,040,000 | $2,080,000 | $ 2,080,000 | $ 0 | $ 0 | $ 0 |
| Bonus(2) | 0 | 0 | 1,352,000 | 2,819,731 | 0 | 0 | 0 |
| Total Cash Severance | 0 | 1,040,000 | 3,432,000 | 4,899,731 | 0 | 0 | 0 |
| **Long Term Incentives** | | | | | | | |
| Gain of Accelerated Stock Options(3) | 0 | 0 | 0 | 1,045,490 | 1,045,490 | 0 | 0 |
| Value of Accelerated Restricted Stock(3) | 0 | 0 | 2,704,397 | 5,384,771 | 5,384,771 | 2,704,397 | 0 |
| Total Value of Long-Term Incentives | 0 | 0 | 2,704,397 | 6,430,261 | 6,430,261 | 2,704,397 | 0 |
| Benefits and Perquisites(4) | 0 | 18,491 | 27,737 | 27,737 | 2,143,999 | 723,622 | 0 |
| Tax Gross-Up | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Total | $ 0 | $1,058,491 | $6,164,134 | $11,357,729 | $8,574,260 | $3,428,019 | $ 0 |

*Diane L. Neal*

| | Voluntary Resignation | Involuntary w/out Cause or Voluntary w/Good Reason w/out Release | Involuntary w/out Cause or Voluntary w/Good Reason & Signed Release | Involuntary w/out Cause following Change in Control(5) | Death | Disability | Retirement |
|---|---|---|---|---|---|---|---|
| **Cash Severance(1)** | | | | | | | |
| Base Salary | $ 0 | $927,000 | $1,854,000 | $1,854,000 | $ 0 | $ 0 | $ 0 |
| Bonus(2) | 0 | 0 | 1,019,700 | 1,019,700 | 0 | 0 | 0 |
| Total Cash Severance | 0 | 927,000 | 2,873,700 | 2,873,700 | 0 | 0 | 0 |
| **Long Term Incentives** | | | | | | | |
| Gain of Accelerated Stock Options(3) | 0 | 0 | 0 | 902,621 | 902,621 | 0 | 0 |
| Value of Accelerated Restricted Stock(3) | 0 | 0 | 2,366,982 | 4,614,138 | 4,614,138 | 2,366,982 | 0 |
| Total Value of Long-Term Incentives | 0 | 0 | 2,366,982 | 5,516,759 | 5,516,759 | 2,366,982 | 0 |
| Benefits and Perquisites(4) | 0 | 15,798 | 15,798 | 15,798 | 1,995,140 | 691,839 | 0 |
| Tax Gross-Up | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Total | $ 0 | $942,798 | $5,256,480 | $8,406,257 | $7,511,899 | $3,058,821 | $ 0 |

*Stuart B. Burgdoerfer*

| | Voluntary Resignation | Involuntary w/out Cause or Voluntary w/Good Reason w/out Release | Involuntary w/out Cause or Voluntary w/Good Reason & Signed Release | Involuntary w/out Cause following Change in Control | Death | Disability | Retirement |
|---|---|---|---|---|---|---|---|
| **Cash Severance(1)** | | | | | | | |
| Base Salary | $ 0 | $725,000 | $1,450,000 | $1,450,000 | $ 0 | $ 0 | $ 0 |
| Bonus(2) | 0 | 0 | 725,000 | 1,512,060 | 0 | 0 | 0 |
| Total Cash Severance | 0 | 725,000 | 2,175,000 | 2,962,060 | 0 | 0 | 0 |
| **Long Term Incentives** | | | | | | | |
| Gain of Accelerated Stock Options(3) | 0 | 0 | 0 | 869,842 | 869,842 | 0 | 0 |
| Value of Accelerated Restricted Stock(3) | 0 | 0 | 1,755,051 | 3,646,096 | 3,646,096 | 1,755,051 | 0 |
| Total Value of Long-Term Incentives | 0 | 0 | 1,755,051 | 4,515,938 | 4,515,938 | 1,755,051 | 0 |
| Benefits and Perquisites(4) | 0 | 20,164 | 30,247 | 30,247 | 1,450,000 | 411,291 | 0 |
| Tax Gross-Up | N/A | N/A | N/A | 1,425,684 | N/A | N/A | N/A |
| Total | $ 0 | $745,164 | $3,960,298 | $8,933,929 | $5,965,938 | $2,166,342 | $ 0 |

(1) Assumes a termination date of January 30, 2010.

(2) Bonus amounts assumed at target. Under “Involuntary w/out Cause” or “Voluntary w/Good Reason” termination scenarios, actual bonus payments will be equal to the bonus payment the executive officer would have received if he or she had remained employed with Limited Brands for a period of one year after the termination date of January 30, 2010. Under an “Involuntary w/out Cause following Change in Control”, bonus payments will be equal to the sum of the last four bonus payments received.

(3) Calculated based on the $19.02 fair market value of a share of Common Stock on the last trading day of the fiscal year (January 29, 2010).

(4) Estimates for benefits and perquisites include the continuation of medical, dental and other insurance benefits. Under the "Death" and "Disability" scenarios, includes proceeds from life and disability insurance policies, and value of unvested restricted stock and retirement balances that would become vested.

(5) Ms. Neal's bonus payment following an involuntary termination after a Change in Control is assumed to be the same as the payment for an involuntary termination not following a Change in Control (with a signed release). Ms. Neal's employment agreement does not provide for a tax gross-up upon a Change in Control.

*Assumptions and Explanations of Numbers in Tables.*

The Compensation Committee retains discretion to provide, and in the past has provided, additional benefits to executive officers upon termination or resignation if it determines the circumstances so warrant.

We calculated 280G tax gross-ups with a discount rate equal to 120% of the semi-annual Applicable Federal Rate as of February 2010.

The tables do not include the payment of the aggregate balance of the executive officers' non-qualified deferred compensation that is disclosed in the Non-qualified Deferred Compensation table above.

*Confidentiality, Non-Competition and Non-Solicitation Agreements.*

As a condition to each executive officer's entitlement to receive certain severance payments and equity vesting acceleration upon certain termination scenarios, the executive is required to execute a release of claims against us and shall be bound by the terms of certain restrictive covenants, including non-competition and non-solicitation agreements which prohibit the executive from soliciting or diverting any current or potential employee, customer, or supplier or competing with any of our businesses in which he or she has been employed for a period of one year from the date of termination.

*Termination Provisions—Definitions of Cause and Good Reason.*

The employment agreements for all named executive officers other than Mr. Wexner, who does not have an employment agreement, contain customary definitions of cause and good reason. "Cause" shall generally mean that the executive officer (1) willfully failed to perform his or her 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.

"Good Reason" means (1) the failure to continue by the executive in a capacity originally contemplated in the executive's employment agreement; (2) the assignment to the executive of any duties materially inconsistent with the executive's position, duties, authority, responsibilities or reporting requirements, as set out in his or her employment agreement; (3) a reduction in or a material delay in payment of the executive's total cash compensation and benefits from those required to be provided; (4) the requirement that the executive be based outside of the United States, other than for travel that is reasonably required to carry out the executive's duties; or (5) the failure by the Company to obtain the assumption in writing of its obligation to perform the employment agreement by a successor. The definition of "Good Reason" under Mr. Redgrave's employment agreement further defines "Good Reason" to include the delivery of a Preliminary Notice of Good Reason by Mr. Redgrave to the Company after April 1, 2010 that must be accepted by the Company within six months.

*Payments Upon a Termination in Connection with a Change in Control.*

A change in control of the Company will be deemed to have occurred upon the first to occur of any of the following events:

a) Any person, together with all affiliates, becomes a beneficial owner of securities representing 33% or more of the combined voting power of the voting stock then outstanding;

b) During any period of 24 consecutive months, individuals who at the beginning of such period constitute the Board cease for any reason to constitute a majority of directors then constituting the Board;

c) A reorganization, merger or consolidation of the Company is consummated, unless more than 50% of the outstanding shares of Common Stock is beneficially owned by individuals and entities who owned Common Stock just prior to the such reorganization, merger or consolidation; or

d) The consummation of a complete liquidation or dissolution of the Company.

*Tax Gross-up.*

In the event of a termination following a Change in Control, we have agreed to reimburse Ms. Turney and Mr. Burgdoerfer for all excise taxes imposed under Section 280G of the Internal Revenue Code and any income and excise taxes that are payable as a result of any reimbursements for Section 280G excise taxes. In 2008, Mr. Redgrave agreed to relinquish the 280G tax gross-up provision of his employment agreement. The total 280G tax gross-up amount in the above tables assumes that the executive officer is entitled to a full reimbursement by us of (i) any excise taxes imposed as a result of the change in control, (ii) any income and excise taxes imposed as a result of our reimbursement of the excise tax amount, and (iii) any additional income and excise taxes imposed as a result of our reimbursement for any excise or income taxes. The calculation of the 280G gross-up amount in the above tables is based upon a 280G excise tax rate of 20%, a 35% federal income tax rate, a 1.45% Medicare tax rate and a 6.56% state income tax rate. For purposes of the 280G calculation, it is assumed that no amounts will be discounted as attributable to reasonable compensation and no value will be attributed to the executive executing a non-competition agreement. The calculation of the 280G tax gross-up assumes that amounts will be payable to the executive officer for any excise tax incurred regardless of whether the executive officer's employment is terminated. However, the amount of the 280G tax gross-up will change based upon whether the executive officer's employment with us is terminated because the amount of compensation subject to Section 280G will change.

## Fiscal 2009 Director Compensation

The following table sets forth compensation earned by the individuals who served as directors of the Company during fiscal 2009.[1]

| Name | Fees Earned or Paid in Cash ($)(2) | Stock Awards ($)(3) | Total ($)(4) |
|---|---|---|---|
| Dennis S. Hersch | $ 60,000 | $118,938 | $178,938 |
| James L. Heskett | 85,000 | 138,760 | 223,760 |
| Donna A. James | 97,500 | 163,493 | 260,993 |
| David T. Kollat | 68,901 | 137,063 | 205,964 |
| William R. Loomis, Jr. | 72,500 | 143,669 | 216,169 |
| Jeffrey H. Miro | 70,000 | 138,760 | 208,760 |
| Jeffrey B. Swartz | 56,429 | 110,333 | 166,762 |
| Allan R. Tessler | 112,500 | 183,315 | 295,815 |
| Abigail S. Wexner | 80,000 | 138,760 | 218,760 |
| Raymond Zimmerman | 72,500 | 143,669 | 216,169 |

(1) Directors who are also associates receive no additional compensation for their service as directors. Our current Board of Directors' compensation plan does not provide for stock option awards, non-equity incentive plan compensation, pension or non-qualified deferred compensation. At the end of four years of membership on the Board of Directors, each member must maintain ownership of Common Stock equal to the amount of Common Stock received as director compensation over the four-year period.

In 2008, based on a review of market-based compensation for Board members using the same peer group used to evaluate executive compensation, the Board initially voted to increase their compensation in 2009. However, as a result of the significant downturn in the economy, the Board decided to postpone any increase in director compensation.

(2) Directors receive an annual cash retainer of $50,000; committee members receive an additional annual cash retainer of $12,500 for membership on the Audit Committee and $10,000 for all other committee memberships; committee chairs receive an additional $15,000 for the Audit and Compensation Committees and $10,000 for other committees. Directors also receive fees of $4,000 for each Board of Directors meeting attended in excess of ten during a fiscal year and $1,500 for each committee meeting attended in excess of ten during a fiscal year.

(3) Directors receive an annual stock retainer worth $50,000; committee members receive an additional annual stock grant worth $12,500 for membership on the Audit Committee and worth $10,000 for other committee memberships. Stock retainers are granted under the Limited Brands, Inc. 2003 Stock Award and Deferred Compensation Plan for Non-Associate Directors. The number of shares issued is calculated based on the fair market value of Common Stock on the first day of the fiscal year and are issued in quarterly installments over the fiscal year. The value reported reflects the fair market value of our Common Stock on the days the shares were issued.

(4) Under a previous Board of Directors compensation plan, directors received annual stock option awards. This plan ended and the current plan was adopted in 2003. The aggregate number of stock option awards outstanding at January 30, 2010 for each director is as follows: Mr. Hersch, none; Dr. Heskett, none; Ms. James, none; Dr. Kollat, 2,108 options; Mr. Loomis, none; Mr. Miro, none; Mr. Swartz, none; Mr. Tessler, 264 options; Mrs. Wexner, 2,108 options; and Mr. Zimmerman, 2,108 options.

## REPORT OF THE COMPENSATION COMMITTEE

The Compensation Committee of the Limited Brands Board of Directors is composed of three directors who are independent, as defined under the rules of the Commission and NYSE listing standards. Additionally, each member of the Compensation Committee is an "outside director" within the meaning of Section 162(m) of the Internal Revenue Code and a "non-employee director" with the meaning of Section 16b-3 under the Exchange Act. The Compensation Committee reviews Limited Brands' Compensation Discussion and Analysis on behalf of the Board of Directors.

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management, and based on the review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in Limited Brands' annual report on Form 10-K for the year ended January 30, 2010 and the Company's proxy statement.

Compensation Committee

James L. Heskett, Chair
Jeffrey H. Miro
David T. Kollat

## SECURITY OWNERSHIP OF DIRECTORS AND MANAGEMENT

The following table shows certain information about the securities ownership of all directors (and nominees) of Limited Brands, the executive officers of Limited Brands named in the "Summary Compensation Table" above and all directors and executive officers of Limited Brands as a group.

| Name of Beneficial Owner | Number of Shares of Common Stock Beneficially Owned(a)(b) | Percent of Class |
|---|---|---|
| Stuart B. Burgdoerfer | 148,555(c) | * |
| Dennis S. Hersch | 24,736(d) | * |
| James L. Heskett | 57,804(d) | * |
| Donna A. James | 30,083(d) | * |
| David T. Kollat | 123,360(c) | * |
| William R. Loomis, Jr. | 93,835(d) | * |
| Jeffrey H. Miro | 48,212(d) | * |
| Diane L. Neal | 108,580(c) | * |
| Martyn R. Redgrave | 498,358(c) | * |
| Jeffrey B. Swartz | 32,420(d) | * |
| Allan R. Tessler | 87,132(c) | * |
| Sharen J. Turney | 569,032(c) | * |
| Abigail S. Wexner | 11,965,498(c)(e) | 3.7% |
| Leslie H. Wexner | 57,216,267(c)(f)(g) | 17.7% |
| Raymond Zimmerman | 73,017(c)(d)(h) | * |
| All directors and executive officers as a group | 59,250,667(c)-(h) | 18.3% |

* Less than 1%.

(a) Unless otherwise indicated, each named person has voting and investment power over the listed shares and such voting and investment power is exercised solely by the named person or shared with a spouse. However, each named person has investment but not voting power over the listed shares held in the Limited Brands Savings and Retirement Plan.

(b) Reflects beneficial ownership of shares of Common Stock, and shares outstanding, as of January 30, 2010, except for Mr. and Mrs. Wexner whose ownership is as of February 22, 2010.

(c) Includes the following number of shares issuable within 60 days of January 30, 2010 (February 22, 2010 for Mr. and Mrs. Wexner), upon the exercise or vesting of outstanding stock awards: Mr. Burgdoerfer, 86,263; Dr. Kollat, 2,108; Ms. Neal, 71,592; Mr. Redgrave, 367,272; Mr. Tessler, 264; Ms. Turney, 286,174; Mrs. Wexner, 2,108; Mr. Wexner, 1,937,697 (includes 2,108 shares issuable to Mrs. Wexner); Mr. Zimmerman, 2,108; and all directors and executive officers as a group, 2,858,405.

(d) Includes the following number of deferred stock units credited to directors' accounts under the 2003 Stock Award and Deferred Compensation Plan for Non-Associate Directors that could be convertible into Common Stock within 60 days after termination from the Board: Mr. Hersch, 24,197; Dr. Heskett, 43,750; Ms. James, 13,165; Mr. Loomis, 35,121; Mr. Miro, 27,673; Mr. Swartz, 32,420; and Mr. Zimmerman, 38,129.

(e) Excludes 52,216,267 shares beneficially owned by Mr. Wexner as to which Mrs. Wexner disclaims beneficial ownership. Includes 5,000,000 shares held by Dogwood Trust as to which Mrs. Wexner shares voting and investment power with others. Includes 6,963,390 shares directly owned by Mrs. Wexner. Of the shares beneficially owned by Mrs. Wexner, as of February 22, 2010, 4,766,991 shares were pledged as security to a financial institution.

(f) Includes 1,356,643 shares held in the Limited Brands Savings and Retirement Plan (as of January 31, 2010), over which Mr. Wexner has investment but not voting power.

(g) Includes 2,202,953 shares held by Acorn Trust; 5,000,000 shares held by Cyprus Trust; 5,000,000 shares held by Dogwood Trust; and 9,464,446 shares held by Linden Trust. Mr. Wexner shares voting and investment power with others with respect to shares held by Acorn Trust, Cyprus Trust, Dogwood Trust and Linden Trust. Includes 4,892,608 shares held by Mr. Wexner as the sole stockholder, director and officer of Wexner Personal Holdings Corporation. Includes 6,963,390 shares directly owned by Mrs. Wexner. Mr. Wexner may be deemed to share voting and investment power with respect to the shares directly owned by Mrs. Wexner. Includes 20,398,530 shares directly owned by Mr. Wexner. Of the shares beneficially owned by Mr. Wexner, as of February 22, 2010, 4,766,991 shares were pledged as security to a financial institution.

(h) Includes 2,400 shares which are Mr. Zimmerman's pro rata share of 7,200 shares owned by a corporation of which Mr. Zimmerman is president and a 33% stockholder.

## SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Limited Brands' executive officers and directors, and persons who own more than ten percent of a registered class of Limited Brands' equity securities, must file reports of ownership and changes in ownership of Limited Brands' equity securities with the Commission. Copies of those reports must also be furnished to Limited Brands. Based solely on a review of the copies of reports furnished to Limited Brands and written representations of the Company's executive officers and directors that no other reports were required, we believe that during fiscal 2009 our executive officers, directors and greater than ten percent beneficial owners complied with these filing requirements with the exception that, due to the Company's administrative error, Ms. Turney and Mr. Burgdoerfer each were late in filing one Form 4 reporting one transaction.

## SHARE OWNERSHIP OF PRINCIPAL STOCKHOLDERS

The following table sets forth the names of all persons who, as of the date indicated below, were known by Limited Brands to be the beneficial owners (as defined in the rules of the Commission) of more than 5% of the shares of Common Stock.

| Name and Address of Beneficial Owner | Amount Beneficially Owned | Percent of Class(5) |
|---|---|---|
| Leslie H. Wexner(1)<br>Three Limited Parkway<br>P.O. Box 16000<br>Columbus, OH 43216 | 57,216,267 | 17.7% |
| Capital Research Global Investors(2)<br>333 South Hope Street<br>Los Angeles, CA 90071 | 22,227,743 | 6.9% |
| AXA Financial, Inc.(3)<br>1290 Avenue of the Americas<br>New York, NY 10104 | 25,892,167 | 8.0% |
| Blackrock, Inc.(4)<br>40 East 52nd Street<br>New York, NY 10022 | 29,114,971 | 9.0% |

(1) For a description of Mr. Wexner's beneficial ownership, see "Security Ownership of Directors and Management" on page 38.

(2) As of December 31, 2009, based on information set forth in the Schedule 13G filed February 9, 2010 by Capital Research Global Investors, a division of Capital Research and Management Company. Capital World Investors has sole dispositive power over 22,227,743 shares and sole voting power over 6,540,000 shares.

(3) As of December 31, 2009, based on information set forth in the Schedule 13G filed February 12, 2010 by AXA Financial, Inc., a member of the global AXA Group, on behalf of itself, AXA Assurance I.A.R.D. Mutuelle and AXA Assurances Vie Mutuelle, AXA and their respective subsidiaries. AXA Financial, Inc. has sole dispositive power over 21,055,730 shares and sole voting power over 17,309,350 shares.

(4) As of December 31, 2009, based on information set forth in the Schedule 13G filed January 29, 2010 by BlackRock, Inc. BlackRock, Inc. has sole dispositive power over 29,114,971 shares and sole voting power over 29,114,971 shares.

(5) Based on the number of shares outstanding as of January 30, 2010.

## REPORT OF THE AUDIT COMMITTEE

As provided in our written charter, the Audit Committee is instrumental in the Board's fulfillment of its oversight responsibilities relating to (i) the integrity of the Company's financial statements, (ii) the Company's compliance with legal and regulatory requirements, (iii) the qualifications, independence and performance of the Company's independent auditors and (iv) the performance of the Company's internal audit function. We have the sole authority to appoint, compensate, retain, oversee and terminate the Company's independent auditors. We pre-approve the audit services and non-audit services to be provided by the Company's independent auditors. In addition, we evaluate the independent auditors' qualifications, performance and independence and present our conclusions with respect to the independent auditors to the full Board on at least an annual basis.

It is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditors. Furthermore, while we are responsible for reviewing the Company's policies and practices with respect to risk assessment and management, it is the responsibility of the CEO and senior management to determine the appropriate level of the Company's exposure to risk.

We have reviewed and discussed Limited Brands' audited financial statements as of and for the year ended January 30, 2010 and met with both management and our independent auditors to discuss the financial statements. Management has represented to us that the financial statements were prepared in accordance with generally accepted accounting principles. We have reviewed with the internal auditors and independent auditors the overall scope and plans for their respective audits. We also met with the internal auditors and independent auditors, with and without management present, to discuss the results of their examinations and their evaluations of the Company's internal controls.

We have also discussed with the independent auditors all matters required to be discussed with audit committees by Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1, AU Section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T. The Company's independent auditors also provided to us the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditor's communications with the audit committee concerning independence, and we discussed with the independent auditors their independence from the Company. We considered whether the provision of non-audit services by the independent auditors to the Company is compatible with maintaining their independence.

Based on the reviews and discussions summarized in this Report, and subject to the limitations on our role and responsibilities, certain of which are referred to above and in the Audit Committee charter, we recommended to the Board that Limited Brands' audited financial statements be included in our annual report on Form 10-K for the year ended January 30, 2010 for filing with the Commission.

We have appointed Ernst & Young LLP as Limited Brand's independent registered public accountants.

Audit Committee

Donna A. James, Chair
William R. Loomis, Jr.
Allan R. Tessler
Raymond Zimmerman

## INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

During our 2009 fiscal year, Ernst & Young LLP served as the Company's independent registered public accountants and in that capacity rendered an opinion on our consolidated financial statements as of and for the fiscal year ended January 30, 2010. The Audit Committee annually reviews the selection of independent registered public accountants and has selected Ernst & Young LLP as the Company's independent registered public accountants for the current fiscal year.

***Audit Fees***

The aggregate audit fees payable to Ernst & Young LLP for the fiscal years ended 2009 and 2008 were approximately $5,041,000 and $5,416,000, respectively. These amounts include fees for professional services rendered by Ernst & Young LLP in connection with the audit of our consolidated financial statements and reviews of our unaudited consolidated interim financial statements as well as fees for services that generally only the independent auditor can reasonably be expected to provide, including comfort letters and consultation regarding financial accounting and/or reporting standards. These amounts also include fees for services rendered in connection with the audit of our internal control over financial reporting and fees for services rendered in connection with statutory audits of our international subsidiaries' financial statements.

***Audit Related Fees***

The aggregate fees for assurance and related services rendered by Ernst & Young LLP that were reasonably related to the audit of our consolidated financial statements for the fiscal years ended 2009 and 2008 were approximately $206,000 and $429,000, respectively. The fees under this category are for assurance and related services that are traditionally performed by the independent auditor and include audits of employee benefit plans, agreed upon procedures and other attest engagements.

***Tax Fees***

The aggregate fees for tax services rendered by Ernst & Young LLP for the fiscal years ended 2009 and 2008 were approximately $10,000 and $50,000, respectively. Tax fees include tax compliance and advisory services.

***All Other Fees***

Other than as described above, there were no other services rendered by Ernst & Young LLP for the fiscal years ended 2009 or 2008.

***Pre-approval Policies and Procedures***

The Audit Committee pre-approves all audit and non-audit services to be provided by Ernst & Young LLP in a given fiscal year.

## OTHER MATTERS

The Board of Directors knows of no other matters to be brought before the annual meeting. However, if other matters should come before the meeting, each of the persons named as a proxy intends to vote in accordance with his or her judgment on such matters.

## STOCKHOLDER PROPOSALS FOR NEXT YEAR

***Stockholder Proposals Pursuant to Rule 14a-8.***

Proposals submitted for inclusion in the proxy statement for the 2011 annual meeting must be received by the Secretary of Limited Brands at our principal executive offices on or before the close of business on December 17, 2010.

***Other Stockholder Proposals.***

If a stockholder intends to present a proposal or nominate a person for election as a director at the 2011 annual meeting other than as described above, the stockholder must comply with the requirements set forth in our Bylaws. The Bylaws require, among other things, that the Secretary receive written notice of the intent to present a proposal or nomination no earlier than February 28, 2011 and no later than March 30, 2011. The notice must contain the information required by the Bylaws.

## SOLICITATION EXPENSES

We will pay the expense of preparing, assembling, printing and mailing the proxy form and the form of material used in solicitation of proxies. Our directors or employees may solicit proxies by telephone, facsimile and personal solicitation, in addition to the use of the mail. We do not expect to pay any compensation for the solicitation of proxies.

By Order of the Board of Directors

Leslie H. Wexner
Chairman of the Board

**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 30, 2010

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

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

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

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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 a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). 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: $3,450,695,967.

Number of shares outstanding of the registrant's Common Stock as of March 19, 2010: 323,296,784.

**DOCUMENTS INCORPORATED BY REFERENCE**

**Portions of the Registrant's Proxy Statement for the Registrant's 2010 Annual Meeting of Stockholders to be held on May 27, 2010, are incorporated by reference into Part II and Part III.**

## Table of Contents


| | | Page No. |
|---|---|---|
| **Part I** | | |
| Item 1. | Business | 1 |
| Item 1A. | Risk Factors | 5 |
| Item 1B. | Unresolved Staff Comments | 12 |
| Item 2. | Properties | 12 |
| Item 3. | Legal Proceedings | 13 |
| Item 4. | Reserved | 13 |
| **Part II** | | |
| Item 5. | Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities | 14 |
| Item 6. | Selected Financial Data | 16 |
| Item 7. | Management's Discussion and Analysis of Financial Condition and Results of Operation | 19 |
| Item 7A. | Quantitative and Qualitative Disclosures About Market Risk | 55 |
| Item 8. | Financial Statements and Supplementary Data | 59 |
| Item 9. | Changes in and Disagreements with Accountants on Accounting and Financial Disclosure | 107 |
| Item 9A. | Controls and Procedures | 107 |
| Item 9B. | Other Information | 107 |
| **Part III** | | |
| Item 10. | Directors, Executive Officers and Corporate Governance | 108 |
| Item 11. | Executive Compensation | 108 |
| Item 12. | Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters | 108 |
| Item 13. | Certain Relationships and Related Transactions, and Director Independence | 109 |
| Item 14. | Principal Accountant Fees and Services | 109 |
| **Part IV** | | |
| Item 15. | Exhibits, Financial Statement Schedules | 110 |
| | Signatures | 115 |

## PART I

### ITEM 1. BUSINESS.

### GENERAL.

We operate in the highly competitive specialty retail business. We are a retailer of women's intimate and other apparel, beauty and personal care products and accessories under various trade names. We sell our merchandise primarily through our retail stores in the United States and Canada and through our websites and catalogues.

### FISCAL YEAR.

Our fiscal year ends on the Saturday nearest to January 31. As used herein, "2010", "2009", "2008", "2007" and "2005" refer to the 52 week periods ending January 29, 2011, January 30, 2010, January 31, 2009, February 2, 2008 and January 28, 2006, respectively. "2006" refers to the 53 week period ended February 3, 2007.

### DESCRIPTION OF OPERATIONS.

#### Our Company

We are committed to building a family of the world's best fashion retail brands, offering captivating customer experiences that drive long-term loyalty and deliver sustained value for our stakeholders. Founded in 1963 in Columbus, Ohio, we have evolved from an apparel-based specialty retailer to an approximately $9 billion segment leader focused on lingerie, beauty and personal care product categories that make customers feel sexy, sophisticated and forever young.

We lead these product categories through our *Victoria's Secret* and *Bath & Body Works* brands. We sell our products at more than 1,000 Victoria's Secret stores and more than 1,600 Bath & Body Works stores nationwide, via the Victoria's Secret Catalogue and online at www.VictoriasSecret.com and www.BathandBodyWorks.com. We also sell upscale accessory products through our Henri Bendel flagship and 10 accessory stores, as well as online at www.HenriBendel.com. Through our La Senza, Bath & Body Works and Pink brands, products are also available in retail venues in Canada. Additionally, La Senza has franchising relationships in 49 countries around the globe. Victoria's Secret products are also made available on a wholesale basis to duty-free stores and other international retail locations.

Victoria's Secret is the leading U.S. specialty retailer of lingerie with modern, fashion-inspired collections, prestige fragrances and cosmetics, celebrated supermodels and world-famous runway shows. Victoria's Secret lingerie and beauty stores, the catalogue and www.VictoriasSecret.com allow customers to shop the brand anywhere, any time, from any place for glamorous and sexy products from lines such as Very Sexy®, Body by Victoria®, Angels by Victoria's Secret®, VS Cotton™, BioFit® and Victoria's Secret Pink®, and luxurious beauty products from lines such as Dream Angels™, Victoria's Secret Pink®, Beauty Rush® and Very Sexy ®.

Bath & Body Works has reinvented the personal care industry with the introduction of fragrant flavorful indulgences, including shower gels, lotions, antibacterial soaps, candles and accessories. Combining the introduction of spa products that are easily used at home with the incorporation of simple rituals into daily life, Bath & Body Works is committed to helping consumers improve their emotional and physical well-being. With a focus on creating and offering the best products and an emphasis on innovation, Bath & Body Works is the ultimate personal care destination.

## Real Estate

The following chart provides the retail businesses and the number of our company-owned retail stores in operation for each business as of January 30, 2010 and January 31, 2009.

| | January 30, 2010 | January 31, 2009 |
|---|---|---|
| Victoria's Secret Stores | 1,040 | 1,043 |
| Bath & Body Works | 1,627 | 1,638 |
| La Senza | 258 | 322 |
| Henri Bendel | 11 | 5 |
| Bath & Body Works Canada | 31 | 6 |
| Victoria's Secret Pink Canada | 4 | — |
| Total | 2,971 | 3,014 |

The following table provides the changes in the number of our company-owned retail stores operated for the past five fiscal years:

| Fiscal Year | Beginning of Year | Opened | Closed | Acquired/ Divested Businesses | End of Year |
|---|---|---|---|---|---|
| 2009 | 3,014 | 59 | (102) | — | 2,971 |
| 2008 | 2,926 | 145 | (57) | — | 3,014 |
| 2007 | 3,766 | 129 | (100) | (869)(a) | 2,926 |
| 2006 | 3,590 | 52 | (169) | 293(b) | 3,766 |
| 2005 | 3,779 | 50 | (239) | — | 3,590 |

(a) Express and Limited Stores were divested in July 2007 and August 2007, respectively.
(b) Represents stores acquired in the La Senza acquisition on January 12, 2007.

## Our Strengths

We believe the following competitive strengths contribute to our leading market position, differentiate us from our competitors, and will drive future growth:

### *Industry Leading Brands*

We believe that our two flagship brands, *Victoria's Secret* and *Bath & Body Works*, are almost universally recognized and others including *Pink* and *La Senza*, exhibit brand recognition which provides us with a competitive advantage. These brands are aspirational at accessible price points, and have a loyal customer base. These brands allow us to target markets across the economic spectrum, across demographics and across the world.

- At Victoria's Secret, we market products to the late-teen and college-age woman with Pink and then transition her into glamorous and sexy product lines, such as Angels, Very Sexy or Body by Victoria. While bras and panties are the core of what we do, these brands also give our customers choices in clothing, accessories, fragrances, lotions, cosmetics, swimwear and athletic attire.
- Bath & Body Works caters to our customers' entire well-being, providing shower gels and lotions, aromatherapy, antibacterial soaps, candles and personal care accessories.
- In Canada, La Senza is a leader in the intimate apparel market.

### *In-Store Experience and Store Operations*

We view the customer's in-store experience as an important vehicle for communicating the image of each brand. We utilize visual presentation of merchandise, in-store marketing, music and our sales associates to reinforce the image represented by the brands.

Our in-store marketing is designed to convey the principal elements and personality of each brand. The store design, furniture, fixtures and music are all carefully planned and coordinated to create a shopping experience. Every brand displays merchandise uniformly to ensure a consistent store experience, regardless of location. Store managers receive detailed plans designating fixture and merchandise placement to ensure coordinated execution of the company-wide merchandising strategy.

Our sales associates and managers are a central element in creating the atmosphere of the stores by providing a high level of customer service.

### *Product Development, Sourcing and Logistics*

We believe a large part of our success comes from frequent and innovative product launches, which include bra launches at Victoria's Secret and the recent restage of the Signature Collection and antibacterial lines at Bath & Body Works. Our merchant, design and sourcing teams at Victoria's Secret and our apparel sourcing function have a long history of bringing new products to our customers. Our personal care sourcing function works with our merchant teams to bring new ideas to the Bath & Body Works and Victoria's Secret Beauty customer.

We have an integrated supply chain leading from our key manufacturing partners around the world, through our distribution centers in Columbus, Ohio, to our stores. We believe that our apparel sourcing function has a long and deep presence in the key sourcing markets of Asia, which helps us partner with the best manufacturers and get high quality products to our customers quickly.

### *Experienced and Committed Management Team*

We were founded in 1963 and have been led since inception by Leslie H. Wexner. Our senior management team has a wealth of retail and business experience at Limited Brands and other companies such as Nieman Marcus, Target, The Gap, Inc., The Home Depot, Carlson Companies and Yum Brands. We believe that we have one of the most experienced management teams in retail.

## Additional Information

### *Merchandise Suppliers*

During 2009, we purchased merchandise from over 1,000 suppliers located throughout the world. No supplier provided 10% or more of our merchandise purchases.

### *Distribution and Merchandise Inventory*

Most of the merchandise and related materials for our stores are shipped to our distribution centers in the Columbus, Ohio area. We use a variety of shipping terms that result in the transfer of title to the merchandise at either the point of origin or point of destination.

Our policy is to maintain sufficient quantities of inventories on hand in our retail stores and distribution centers to enable us to offer customers an appropriate selection of current merchandise. We emphasize rapid turnover and take markdowns as required to keep merchandise fresh and current.

### *Information Systems*

Our management information systems consist of a full range of retail, financial and merchandising systems. The systems include applications related to point-of-sale, e-commerce, merchandising, planning, sourcing, logistics, inventory management and support systems including human resources and finance. We continue to invest in technology to upgrade core systems to continue to improve our efficiency and accuracy in the production and delivery of merchandise to our stores.

### *Seasonal Business*

Our 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 our net sales for 2009, 2008 and 2007 and is typically our most profitable quarter. Accordingly, cash requirements are highest in the third quarter as our inventories build in advance of the holiday season.

### *Regulation*

We and our products are subject to regulation by various federal, state, local and international regulatory authorities. We are subject to a variety of customs regulations and international trade arrangements.

### *Trademarks and Patents*

Our trademarks and patents, which constitute our primary intellectual property, have been registered or are the subject of pending applications in the United States Patent and Trademark Office and with the registries of many foreign countries and/or are protected by common law. We believe our products and services are identified by our intellectual property and, thus, our intellectual property is of significant value. Accordingly, we intend to maintain our intellectual property and related registrations and vigorously protect our intellectual property assets against infringement.

### *Segment Information*

We have two reportable segments: Victoria's Secret and Bath & Body Works. The Victoria's Secret reportable segment consists of the Victoria's Secret and La Senza operating segments which are aggregated in accordance with the authoritative guidance included in Accounting Standards Codification Subtopic 280, *Segment Reporting*.

### *Other Information*

For additional information about our business, including our net sales and profits for the last three years and selling square footage, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation. For the financial results of our reportable segments, see Note 21 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

## COMPETITION.

The sale of women's intimate and other apparel, personal care and beauty products and accessories through retail stores is a highly competitive business with numerous competitors, including individual and chain specialty stores, department stores and discount retailers. Brand image, marketing, design, price, service, assortment and quality are the principal competitive factors in retail store sales. Our direct response businesses compete with numerous national and regional direct response merchandisers. Image presentation, fulfillment and the factors affecting retail store sales discussed above are the principal competitive factors in direct response sales.

### ASSOCIATE RELATIONS.

On January 30, 2010, we employed approximately 92,100 associates, 75,000 of whom were part-time. In addition, temporary associates are hired during peak periods, such as the holiday season.

### EXECUTIVE OFFICERS OF THE REGISTRANT.

Set forth below is certain information regarding our executive officers.

Leslie H. Wexner, 72, has been our Chairman of the Board of Directors for more than thirty years and our Chief Executive Officer since our founding in 1963.

Martyn R. Redgrave, 57, has been our Executive Vice President and Chief Administrative Officer since March 2005. In addition, Mr. Redgrave was our Chief Financial Officer from September 2006 to April 2007.

Stuart B. Burgdoerfer, 47, has been our Executive Vice President and Chief Financial Officer since April 2007.

Sharen J. Turney, 53, has been our Chief Executive Officer and President of Victoria's Secret since July 2006.

Diane L. Neal, 53, has been our Chief Executive Officer and President of Bath & Body Works since June 2007.

Jane L. Ramsey, 52, has been our Executive Vice President, Human Resources, since April 2006.

All of the above officers serve at the discretion of our Board of Directors and are members of our Executive Committee.

### AVAILABLE INFORMATION.

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, amendments to those reports and code of conduct are available, free of charge, on our 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 ("SEC").



## ITEM 1A. RISK FACTORS.

The following discussion of risk factors contains "forward-looking statements," as discussed in Item 1. These risk factors may be important to understanding any statement in this Form 10-K, other filings or in any other discussions of our business. The following information should be read in conjunction with Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation and Item 8. Financial Statements and Supplementary Data.

In addition to the other information set forth in this report, the reader should carefully consider the following factors which could materially affect our business, financial condition or future results. The risks described below are not our only risks. Additional risks and uncertainties not currently known or that are currently deemed to be immaterial may also adversely affect our business, operating results and/or financial condition in a material way.

**Our revenue, profit results and cash flow are sensitive to, and may be adversely affected by, general economic conditions, consumer confidence and spending patterns.**

Our growth, sales and profitability may be adversely affected by negative local, regional, national or international political or economic trends or developments that reduce the consumers' ability or willingness to spend, including the effects of national and international security concerns such as war, terrorism or the threat thereof.

In particular, our operating results are generally impacted by changes in the United States and Canadian economies. Negative economic conditions may impact the level of consumer spending and inhibit customers' use of credit. Purchases of women's intimate and other apparel, beauty and personal care products and accessories often decline during periods when economic or market conditions are unsettled or weak. In such circumstances, we may increase the number of promotional sales, which could have a material adverse effect on our results of operations and financial condition.

**The global economic crisis could also impair the solvency of our suppliers, customers and other counterparties.**

There could be a number of additional effects from the ongoing economic downturn. The inability of key suppliers to access liquidity, or the insolvency of key suppliers, could lead to delivery delays or failures. We provide merchandise sourcing services to other retailers and licensees and grant credit to these parties in the normal course of business which subjects us to potential credit risk. Additionally, we have guaranteed certain lease payments of certain of our former subsidiaries. Financial difficulties of our customers or those former subsidiaries for whom we guarantee lease payments could have a material adverse effect on our results of operations and financial condition. Finally, other counterparty failures, including banks and counterparties to contractual arrangements, could negatively impact our business.

**The global economic crisis could have a material adverse effect on our liquidity and capital resources.**

The general economic and capital market conditions in the United States and other parts of the world have deteriorated significantly. These conditions have affected access to capital and increased the cost of capital. Although we believe that our capital structure and credit facilities will provide sufficient liquidity, there can be no assurance that our liquidity will not be affected by changes in the financial markets or that our capital resources will at all times be sufficient to satisfy our liquidity needs. If these conditions continue or become worse, our future cost of debt and equity capital and access to the capital markets could be adversely affected.

**Our net sales depend on a volume of traffic to our stores and the availability of suitable lease space.**

Most of our stores are located in retail shopping areas including malls and other types of retail centers. Sales at these stores are derived, in part, from the high volume of traffic in those retail areas. Our stores benefit from the ability of the retail center and other attractions in an area, including "destination" retail stores, to generate consumer traffic in the vicinity of our stores. Sales volume and retail traffic may be adversely affected by economic downturns in a particular area, competition from other retail and non-retail attractions and other retail areas where we do not have stores. Recently, sales volume has been adversely affected by the recessionary economic conditions.

Part of our future growth is significantly dependent on our ability to operate stores in desirable locations with capital investment and lease costs providing the opportunity to earn a reasonable return. We cannot be sure as to when or whether such desirable locations will become available at reasonable costs.

**Our net sales, operating income and inventory levels fluctuate on a seasonal basis.**

We experience major seasonal fluctuations in our net sales and operating income, with a significant portion of our operating income typically realized during the fourth quarter holiday season. Any decrease in sales or margins during this period could have a material adverse effect on our results of operations and financial condition.

Seasonal fluctuations also affect our inventory levels, since we usually order merchandise in advance of peak selling periods and sometimes before new fashion trends are confirmed by customer purchases. We must carry a significant amount of inventory, especially before the holiday season selling period. If we are not successful in selling inventory, we may have to sell the inventory at significantly reduced prices or may not be able to sell the inventory at all, which could have a material adverse effect on our results of operations and financial condition.

**Our ability to grow depends in part on new store openings and existing store remodels and expansions.**

Our continued growth and success will depend in part on our ability to open and operate new stores and expand and remodel existing stores on a timely and profitable basis. Accomplishing our new and existing store expansion goals will depend upon a number of factors, including the ability to partner with developers and landlords to obtain suitable sites for new and expanded stores at acceptable costs, the hiring and training of qualified personnel, particularly at the store management level, and the integration of new stores into existing operations. There can be no assurance we will be able to achieve our store expansion goals, manage our growth effectively, successfully integrate the planned new stores into our operations or operate our new, remodeled and expanded stores profitably.

**Our plans for international expansion include risks that could adversely impact our financial results and reputation.**

We intend to further expand into international markets through franchise/distribution agreements and/or company-owned stores. The risks associated with our expansion into international markets include difficulties in attracting customers due to a lack of customer familiarity with our brands, our lack of familiarity with local customer preferences and seasonal differences in the market. Further, entry into this market may bring us into competition with new competitors or with existing competitors with an established market presence. Other risks include general economic conditions in specific countries or markets, disruptions or delays in shipments, changes in diplomatic and trade relationships, political instability and foreign governmental regulation.

We also have risks related to identifying suitable partners as franchisees, distributors or in a similar capacity. In addition, certain aspects of these arrangements are not directly within our control, such as the ability of these third parties to meet their projections regarding store openings and sales. We cannot ensure the profitability or success of our expansion into international markets. These risks could have a material adverse effect on our brand image and reputation as well as our results of operations, financial condition and cash flows.

**Our licensees could take actions that could harm our business or brand images.**

We have global representation through independently owned La Senza stores operated by licensees. Although we have criteria to evaluate and select prospective licensees, the amount of control we can exercise over our licensees is limited and the quality of licensed operations may be diminished by any number of factors beyond our control. Licensees may not have the business acumen or financial resources necessary to successfully operate stores in a manner consistent with our standards and may not hire and train qualified store managers and other personnel. Our brand image and reputation may suffer materially and our sales could decline if our licensees do not operate successfully.

**Our direct channel business includes risks that could have an adverse effect on our results from operations or financial condition.**

Our direct operations are subject to numerous risks that could have a material adverse effect on our operational results. Risks include, but are not limited to, the (a) diversion of sales from our stores, which may impact comparable store sales figures, (b) difficulty in recreating the in-store experience through our direct channels, (c) domestic or international resellers purchasing merchandise and re-selling it overseas outside our control, (d) risks related to the failure of the systems that operate the web sites and their related support systems, including computer viruses, theft of customer information, privacy concerns, telecommunication failures and electronic break-ins and similar disruptions, and (e) risks related to our direct-to-consumer distribution center. Any of these events could have a material adverse effect on our results of operations and financial condition.

**Our failure to protect our reputation could have a material adverse effect on our brand images.**

Our ability to maintain our reputation is critical to our brand images. Our reputation could be jeopardized if we fail to maintain high standards for merchandise quality and integrity. Any negative publicity about these types of concerns may reduce demand for our merchandise. Failure to comply with ethical, social, product, labor and environmental standards, or related political considerations, could also jeopardize our reputation and potentially lead to various adverse consumer actions, including boycotts. Failure to comply with local laws and regulations, to maintain an effective system of internal controls or to provide accurate and timely financial statement information could also hurt our reputation. Damage to our reputation or loss of consumer confidence for any of these or other reasons could have a material adverse effect on our results of operations and financial condition, as well as require additional resources to rebuild our reputation.

**Our failure to adequately protect our trade names, trademarks and patents could have a negative impact on our brand images and limit our ability to penetrate new markets.**

We believe that our trade names, trademarks and patents are an essential element of our strategy. We have obtained or applied for federal registration of these trade names, trademarks and patents and have applied for or obtained registrations in many foreign countries. There can be no assurance that we will obtain such registrations or that the registrations we obtain will prevent the imitation of our products or infringement of our intellectual property rights by others. If any third-party copies our products in a manner that projects lesser quality or carries a negative connotation, our brand images could be adversely affected.

**Our results can be adversely affected by market disruptions.**

Market disruptions due to severe weather conditions, natural disasters, health hazards, terrorist activities, financial crises, political crises or other major events or the prospect of these events can affect consumer spending and confidence levels and adversely affect our results or prospects in affected markets. The receipt of proceeds under any insurance we maintain for these purposes may be delayed or the proceeds may be insufficient to fully offset our losses.

**Our stock price may be volatile.**

Our stock price may fluctuate substantially as a result of quarter to quarter variations in our actual or projected performance or the financial performance of other companies in the retail industry. 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.

**Our failure to maintain our credit rating could negatively affect our ability to access capital and would increase our interest expense.**

The credit ratings agencies periodically review our capital structure and the quality and stability of our earnings. Any negative ratings actions could constrain the capital available to our company or our industry and could limit our access to funding for our operations. We are dependent upon our ability to access capital at rates and on terms we determine to be attractive. If our ability to access capital becomes constrained, our interest costs will likely increase, which could have a material adverse effect on our results of operations and financial condition. Additionally, our failure to maintain our credit rating would result in higher interest costs.

**We may be unable to service our debt.**

We may be unable to service our outstanding debt or any other debt we incur. Additionally, some of our debt agreements contain covenants which require maintenance of certain financial ratios and also, under certain conditions, restrict our ability to pay dividends, repurchase common shares and make other restricted payments as defined in those agreements.

Our cash flow from operations provides the primary source of funds for our debt service payments. If our cash flow from operations is adversely impacted, we may be unable to service or refinance our current debt.

**Our inability to compete favorably in our highly competitive segment of the retail industry could negatively impact our results.**

The sale of intimate and other apparel, personal care products and accessories is highly competitive. We compete for sales with a broad range of other retailers, including individual and chain specialty stores, department stores and discount retailers. In addition to the traditional store-based retailers, we also compete with direct marketers or retailers that sell similar lines of merchandise and who target customers through direct response channels. Brand image, marketing, design, price, service, quality, image presentation and fulfillment are all competitive factors in both the store-based and direct response channels.

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

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 our results of operations and financial condition. The recent recessionary conditions have resulted in more significant competition and our competitors have lowered prices and engaged in more promotional activity.

**Our inability to remain current with fashion trends and launch new product lines successfully could negatively impact the image and relevance of our brands.**

Our success depends in part on management's ability to effectively anticipate and respond to changing fashion preferences and consumer demands and to translate market trends into appropriate, saleable product offerings far in advance of the actual time of sale to the customer. Customer demands and fashion trends change rapidly. If we are unable to successfully anticipate, identify or react to changing styles or trends or we misjudge the market for our products or any new product lines, our sales will be lower, potentially resulting in significant amounts of unsold finished goods inventory. In response, we may be forced to increase our marketing promotions or price markdowns, which could have a material adverse effect on our results of operations and financial condition. Our brand image may also suffer if customers believe merchandise misjudgments indicate we are no longer able to identify and offer the latest fashions.

**We may be unable to retain key personnel.**

It is our belief we have benefited substantially from the leadership and experience of our senior executives, including Leslie H. Wexner (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 our business and prospects. Competition for key personnel in the retail industry is intense and our future success will also depend on our ability to recruit, train and retain other qualified key personnel.

**We may be unable to attract, develop and retain qualified employees and manage labor costs.**

We believe our competitive advantage is providing a positive, engaging and satisfying experience for each individual customer, which requires us to have highly trained and engaged employees. Our success depends in part upon our ability to attract, develop and retain a sufficient number of qualified employees, including store personnel and talented merchants. The turnover rate in the retail industry is generally high and qualified individuals of the requisite caliber and number needed to fill these positions may be in short supply in some areas. Competition for such qualified individuals or changes in labor and healthcare laws could require us to incur higher labor costs. Our inability to recruit a sufficient number of qualified individuals in the future may delay planned openings of new stores or affect the speed with which we expand. Delayed store openings, significant increases in employee turnover rates or significant increases in labor costs could have a material adverse effect on our results of operations and financial condition.

**We rely significantly on foreign sources of production and maintenance of operations in foreign countries.**

We purchase merchandise directly in foreign markets and in the domestic market. We do not have any material long-term merchandise supply contracts. Many of our imports are subject to a variety of customs regulations and international trade arrangements, including existing or potential duties, tariffs or safeguard quotas. We compete with other companies for production facilities.

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

- political instability;
- imposition of duties, taxes and other charges on imports;
- legal and regulatory matters;
- 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 or threatened or actual adverse consumer actions, including boycotts;
- potential delays or disruptions in shipping and related pricing impacts;
- disruption of imports by labor disputes; and
- changing expectations regarding product safety due to new legislation.

New initiatives may be proposed impacting the trading status of certain countries and may include retaliatory duties or other trade sanctions which, if enacted, would limit or reduce the products purchased from suppliers in such countries.

In addition, significant health hazards, environmental hazards or natural disasters may occur which could have a negative effect on the economies, financial markets and business activity. Our purchase of merchandise from these manufacturing operations may be affected by this risk.

Our future performance will depend upon these and the other factors listed above which are beyond our control and could have a material adverse effect on our results of operations and financial condition.

**Our manufacturers may not be able to manufacture and deliver products in a timely manner and meet quality standards.**

We purchase products through contract manufacturers and importers and directly from third-party manufacturers. Similar to most other specialty retailers, we have narrow sales window periods for much of our inventory. Factors outside our control, such as manufacturing or shipping delays or quality problems, could disrupt merchandise deliveries and result in lost sales, cancellation charges or excessive markdowns which could have a material adverse effect on our results of operations and financial condition.

**Our results may be adversely affected by fluctuations in energy costs.**

Energy costs have fluctuated dramatically in the past. These fluctuations may result in an increase in our transportation costs for distribution, utility costs for our retail stores and costs to purchase product from our manufacturers. A continual rise in energy costs could adversely affect consumer spending and demand for our products and increase our operating costs, both of which could have a material adverse effect on our results of operations and financial condition.

**We may be adversely impacted by increases in costs of mailing, paper and printing.**

Postal rate increases and paper and printing costs will affect the cost of our order fulfillment and catalogue and promotional mailings. We rely on discounts from the basic postal rate structure, such as discounts for bulk mailings and sorting. Future paper and postal rate increases could adversely impact our earnings if we are unable to pass such increases directly onto our customers or if we are unable to implement more efficient printing, mailing, delivery and order fulfillment systems.

**We self-insure certain risks and may be adversely impacted by unfavorable claims experience.**

We are self-insured for various types of insurable risks including associate medical benefits, workers' compensation, property, general liability and automobile up to certain stop-loss limits. Claims are difficult to predict and may be volatile. Any adverse claims experience could have a material adverse effect on our results of operations and financial condition.

**We significantly rely on our ability to implement and sustain information technology systems.**

Our success depends, in part, on the secure and uninterrupted performance of our information technology systems. Our computer systems, as well as those of our service providers, are vulnerable to damage from a variety of sources, including telecommunication failures, malicious human acts and natural disasters. Moreover, despite network security measures, some of our servers and those of our service providers are potentially vulnerable to physical or electronic break-ins, computer viruses and similar disruptive problems. Additionally, these types of problems could result in a breach of confidential customer information which could result in damage to our reputation and/or litigation. Despite the precautions we have taken, unanticipated problems may nevertheless cause failures in our information technology systems. Sustained or repeated system failures that interrupt our ability to process orders and deliver products to the stores in a timely manner or expose confidential customer information could have a material adverse effect on our results of operations and financial condition.

In addition, we will make modifications and upgrades to the information technology systems for point-of-sale, e-commerce, merchandising, planning, sourcing, logistics, inventory management and support systems including human resources and finance. Modifications involve replacing legacy systems with successor systems, making changes to legacy systems or acquiring new systems with new functionality. We are aware of inherent risks associated with replacing these systems, including accurately capturing data and system disruptions. Information technology system disruptions, if not anticipated and appropriately mitigated, could have a material adverse effect on our operations.

**We may fail to comply with regulatory requirements.**

As a public company, we are subject to numerous regulatory requirements. Our policies, procedures and internal controls are designed to comply with all applicable laws and regulations, including those imposed by the Sarbanes-Oxley Act of 2002, the SEC and the New York Stock Exchange (the "NYSE"). Failure to comply with such laws and regulations could have an adverse effect on our reputation, market price of our common stock, results of operations and financial condition.

**We may be adversely impacted by changes in taxation requirements.**

We are subject to income tax in local, national and international jurisdictions. In addition, our products are subject to import and excise duties and/or sales or value-added taxes in many jurisdictions. Fluctuations in tax rates and duties and changes in tax legislation or regulation could have a material adverse effect on our results of operations and financial condition.

**We may be adversely impacted by certain compliance or legal matters.**

We are subject to complex compliance and litigation risks. Difficulty can exist in complying with sometimes conflicting regulations in local, national or international jurisdictions as well as new or changing regulations that affect how we operate. In addition, we may be impacted by litigation trends, including class action lawsuits involving consumers and shareholders that could have a material adverse effect on our reputation, market price of our common stock, results of operations and financial condition.

## ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

## ITEM 2. PROPERTIES.

The following table provides the location, use and size of our distribution, corporate and product development facilities as of January 30, 2010:

| Location | Use | Approximate Square Footage |
|---|---|---|
| Columbus, Ohio | Corporate, distribution and shipping | 6,414,000 |
| New York, New York | Office, sourcing and product development/design | 513,000 |
| Montreal, Quebec, Canada | Office, distribution and shipping | 486,000 |
| Kettering, Ohio | Call center | 94,000 |
| Hong Kong | Office and sourcing | 80,000 |
| Rio Rancho, New Mexico | Call center | 73,000 |
| Paramus, New Jersey | Research and development and office | 31,000 |
| Various foreign locations | Office and sourcing | 21,000 |

***United States***

Our business for both the Victoria's Secret and Bath & Body Works segments is principally conducted from office, distribution and shipping facilities located in the Columbus, Ohio area. Additional facilities are located in New York, New York; Kettering, Ohio; Rio Rancho, New Mexico and Paramus, New Jersey.

Our distribution and shipping facilities consist of seven buildings located in the Columbus, Ohio area. These buildings, including attached office space, comprise approximately 6.4 million square feet.

As of January 30, 2010, we operate 2,678 retail stores located in leased facilities, primarily in malls and shopping centers, throughout the United States. A substantial portion of these lease commitments consists of store leases generally with an initial term of ten years. The leases expire at various dates between 2010 and 2024.

Typically, when space is leased for a retail store in a mall or shopping center, we supply all improvements, including interior walls, floors, ceilings, fixtures and decorations. 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 an 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. We usually pay certain operating costs such as common area maintenance, utilities, insurance and taxes. For additional information, see Note 16 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

***International***

*Canada*

Our international business is principally conducted from owned and leased office, distribution and shipping facilities located in the Montreal, Quebec area. Additional leased office facilities are located in Toronto, Ontario.

Our distribution and shipping facilities consist of two buildings located in the Montreal, Quebec area. These buildings, including attached office space, comprise approximately 386,000 square feet. Additionally, we lease additional office facilities in the Montreal area comprised of approximately 100,000 square feet.

As of January 30, 2010, we operate 293 retail stores located in leased facilities, primarily in malls and shopping centers, throughout the Canadian provinces. A substantial portion of these lease commitments consists of store leases generally with an initial term of ten years. The leases expire at various dates between 2010 and 2024.

*Other International*

As of January 30, 2010, we also have global representation through 520 independently owned "La Senza" stores operated by licensees in 49 countries. In addition, Victoria's Secret products and accessories are made available on a wholesale basis to duty-free stores and other international retail locations including travel and tourism stores.

We also operate sourcing-related office facilities in various international locations.

**ITEM 3. LEGAL PROCEEDINGS.**

We are a defendant in a variety of lawsuits arising in the ordinary course of business. Plaintiffs may seek to recover large and sometimes unspecified amounts or other types of relief and some matters may remain unresolved for several years. Although we are unable to predict with certainty the eventual outcome of any litigation, in the opinion of management, our legal proceedings are not expected to have a material adverse effect on our financial position or results of operations.

On November 6, 2009, a class action (International Brotherhood of Electrical Workers Local 697 Pension Fund v. Limited Brands, Inc. et al.) was filed against our company and certain of our officers in the United States District Court for the Southern District of Ohio on behalf of a purported class of all persons who purchased or acquired shares of Limited Brands common stock between August 22, 2007 and February 28, 2008. We believe the complaint is without merit and that we have substantial factual and legal defenses to the claims at issue. We intend to vigorously defend against this action. We cannot reasonably estimate the possible loss or range of loss that may result from this lawsuit.

**ITEM 4. RESERVED.**

## PART II

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

Our common stock ("LTD") is traded on the New York Stock Exchange. On January 30, 2010, there were approximately 55,000 shareholders of record. However, including active associates who participate in our stock purchase plan, associates who own shares through our sponsored retirement plans and others holding shares in broker accounts under street names, we estimate the shareholder base to be approximately 145,000.

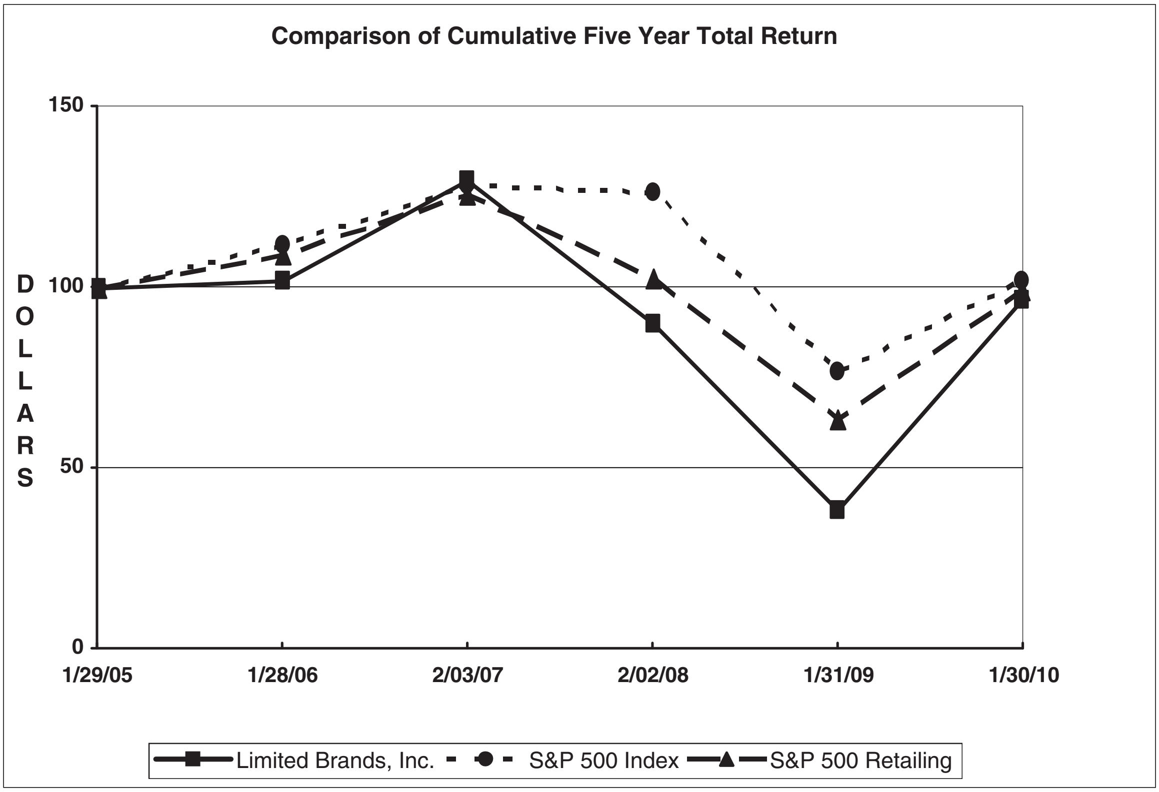
The following table provides our quarterly market prices and cash dividends per share for 2009 and 2008:

| | Market Price | | Cash Dividend Per Share |
|---|---|---|---|
| | High | Low | |
| **2009** | | | |
| Fourth quarter | $20.90 | $16.28 | $0.15 |
| Third quarter | 19.99 | 12.56 | 0.15 |
| Second quarter | 13.73 | 10.28 | 0.15 |
| First quarter | 11.70 | 5.98 | 0.15 |
| **2008** | | | |
| Fourth quarter | $12.25 | $ 6.90 | $0.15 |
| Third quarter | 22.16 | 9.85 | 0.15 |
| Second quarter | 19.73 | 14.45 | 0.15 |
| First quarter | 19.45 | 14.41 | 0.15 |

The following graph shows the changes, over the past five-year period, in the value of $100 invested in our common stock, the Standard & Poor's 500 Composite Stock Price Index and the Standard & Poor's 500 Retail Composite Index. The plotted points represent the closing price on the last day of the fiscal year indicated.

**COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN***
**AMONG LIMITED BRANDS, INC., THE S&P 500 INDEX AND THE S&P RETAIL COMPOSITE INDEX**

*$100 INVESTED IN STOCK OR IN INDEX AT THE CLOSING PRICE ON 1/29/05 – INCLUDING REINVESTMENT OF DIVIDENDS.




The following table provides our repurchases of our common stock during the fourth quarter of 2009:

| Period | Total Number of Shares Purchased(a) | Average Price Paid Per Share(b) | Total Number of Shares Purchased as Part of Publicly Announced Programs(c) | Maximum Number of Shares (or Approximate Dollar Value) that May Yet be Purchased Under the Programs(c) |
|---|---|---|---|---|
| | (in thousands) | | (in thousands) | |
| November 2009 | 34 | 17.92 | — | 31,244 |
| December 2009 | 7 | 19.00 | — | 31,244 |
| January 2010 | — | 19.24 | — | 31,244 |
| Total | 41 | 18.11 | — | 31,244 |

(a) The total number of shares repurchased relates to shares repurchased in connection with (i) tax payments due upon vesting of employee restricted stock awards, and (ii) the use of our stock to pay the exercise price on employee stock options, and (iii) our small lot shareholder repurchase program.
(b) The average price paid per share includes any broker commissions.
(c) For additional share repurchase program information, see Note 19 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

## ITEM 6. SELECTED FINANCIAL DATA.

| | Fiscal Year Ended | | | | |
|---|---|---|---|---|---|
| | January 30, 2010 | January 31, 2009 | February 2, 2008 | February 3, 2007(a)(b) | January 28, 2006(c) |
| | | | (in millions) | | |
| **Summary of Operations** | | | | | |
| Net Sales | $ 8,632 | $ 9,043 | $10,134 | $ 10,671 | $ 9,699 |
| Gross Profit | 3,028 | 3,006 | 3,509 | 4,013 | 3,480 |
| Operating Income (d) | 868 | 589 | 1,110 | 1,176 | 986 |
| Income Before Cumulative Effect of Changes in Accounting Principle (e) | 448 | 216 | 696 | 674 | 666 |
| Cumulative Effect of Changes in Accounting Principle (b)(c) | — | — | — | 1 | 17 |
| Net Income Attributable to Limited Brands, Inc. (e) | 448 | 220 | 718 | 676 | 683 |
| | | | (as a percentage of net sales) | | |
| Gross Profit | 35.1% | 33.2% | 34.6% | 37.6% | 35.9% |
| Operating Income | 10.1% | 6.5% | 11.0% | 11.0% | 10.2% |
| Income Before Cumulative Effect of Changes in Accounting Principle | 5.2% | 2.4% | 6.9% | 6.3% | 6.9% |
| **Per Share Results** | | | | | |
| *Net Income Attributable to Limited Brands, Inc. per Basic Share:* | | | | | |
| Income Before Cumulative Effect of Changes in Accounting Principle | $ 1.39 | $ 0.66 | $ 1.91 | $ 1.71 | $ 1.66 |
| Net Income Attributable to Limited Brands, Inc. per Basic Share | 1.39 | 0.66 | 1.91 | 1.71 | 1.70 |
| *Net Income Attributable to Limited Brands, Inc. per Diluted Share:* | | | | | |
| Income Before Cumulative Effect of Changes in Accounting Principle | $ 1.37 | $ 0.65 | $ 1.89 | $ 1.68 | $ 1.62 |
| Net Income Attributable to Limited Brands, Inc. per Diluted Share | 1.37 | 0.65 | 1.89 | 1.68 | 1.66 |
| Dividends per Share | $ 0.60 | $ 0.60 | $ 0.60 | $ 0.60 | $ 0.60 |
| Weighted Average Diluted Shares Outstanding (in millions) | 327 | 337 | 380 | 403 | 411 |
| **Other Financial Information** | | | (in millions) | | |
| Cash and Cash Equivalents | $ 1,804 | $ 1,173 | $ 1,018 | $ 500 | $ 1,208 |
| Total Assets | 7,173 | 6,972 | 7,437 | 7,093 | 6,346 |
| Working Capital | 1,928 | 1,612 | 1,545 | 1,062 | 1,209 |
| Net Cash Provided by Operating Activities | 1,174 | 954 | 765 | 600 | 1,081 |
| Capital Expenditures | 202 | 479 | 749 | 548 | 480 |
| Long-term Debt | 2,723 | 2,897 | 2,905 | 1,665 | 1,669 |
| Other Long-term Liabilities | 731 | 732 | 709 | 520 | 452 |
| Shareholders' Equity | 2,183 | 1,874 | 2,219 | 2,955 | 2,471 |
| Return on Average Shareholders' Equity | 22% | 11% | 28% | 25% | 28% |
| Comparable Store Sales (Decrease) Increase (f) | (4%) | (9%) | (2%) | 7% | (1%) |
| Return on Average Assets | 6% | 3% | 10% | 10% | 11% |
| Debt-to-equity Ratio | 125% | 155% | 131% | 56% | 68% |
| Current Ratio | 2.5 | 2.3 | 2.1 | 1.6 | 1.8 |
| **Stores and Associates at End of Year** | | | | | |
| Number of Stores (g) | 2,971 | 3,014 | 2,926 | 3,766 | 3,590 |
| Selling Square Feet (in thousands) (g) | 10,934 | 10,898 | 10,310 | 15,719 | 15,332 |
| Number of Associates | 92,100 | 90,900 | 97,500 | 125,500 | 110,000 |

(a) Fifty-three week fiscal year.

(b) On January 29, 2006, we adopted the authoritative guidance included in Accounting Standards Codification ("ASC") Subtopic 718, *Compensation—Stock Compensation* ("ASC Subtopic 718"), which requires the measurement and recognition of compensation expense for all share-based awards made to employees and directors based on estimated fair values on the grant date. For additional information, see Notes 20 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

The cumulative effect of adopting the authoritative guidance included in ASC Subtopic 718, was $0.7 million, net of tax of $0.4 million, and was recognized as an increase to net income in the Consolidated Statement of Income as of the beginning of the first quarter of 2006.

(c) During the fourth quarter of 2005, we changed our inventory valuation methodology. Previously, inventories were principally valued at the lower of cost or market, on a weighted-average cost basis, using the retail method. Commencing in 2005, inventories are principally valued at the lower of cost or market, on a weighted-average cost basis, using the cost method.

The cumulative effect of this change was $17 million, net of tax of $11 million. This change was recognized as an increase to net income in the Consolidated Statement of Income as of the beginning of the first quarter of 2005. In addition to the $17 million cumulative impact recognized as of the beginning of the first quarter, the effect of the change during 2005 was to decrease net income by $4 million, or $0.01 per diluted share.

(d) Operating income includes the effect of the following items:

(i) In 2009, a $9 million pre-tax gain, $14 million net of related tax benefits, associated with the reversal of an accrued contractual liability as a result of the divestiture of a joint venture.
(ii) In 2008, a $215 million impairment charge related to goodwill and other intangible assets for our La Senza business, a $128 million gain related to the divestiture of a personal care joint venture, $23 million of expense related to restructuring activities and a $19 million impairment charge related to a joint venture.
(iii) In 2007, a $302 million gain related to the divestiture of Express, a $72 million loss related to the divestiture of Limited Stores, $48 million related to initial recognition of income for unredeemed gift cards at Victoria's Secret, $53 million of expense related to various restructuring activities and $37 million of gains related to asset sales.
(iv) In 2006, $26 million in incremental share-based compensation expense related to the effect of adopting the authoritative guidance included in ASC Subtopic 718.
(v) In 2005, $30 million related to initial recognition of income for unredeemed gift cards at Bath & Body Works and Express.

For additional information on 2009, 2008 and 2007 items, see the Notes to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

(e) In addition to the items previously discussed in (d), net income includes the effect of the following items:

(i) In 2009, $23 million of favorable income tax benefits in the fourth quarter primarily related to the reorganization of certain foreign subsidiaries and $9 million of favorable income tax benefits in the third quarter primarily due to the resolution of certain tax matters.
(ii) In 2008, $15 million of favorable tax benefits in the fourth quarter primarily related to certain discrete foreign and state income tax items and a $13 million pre-tax gain related to a cash distribution from Express.
(iii) In 2007, a $100 million pre-tax gain related to a cash distribution from Easton Town Center, LLC, a $17 million pre-tax gain related to an interest rate hedge and $67 million of favorable tax benefits primarily relating to: 1) the reversal of state net operating loss carryforward valuation allowances and other favorable tax benefits associated with the Apparel divestitures; 2) a decline in the Canadian federal tax rate; 3) audit settlements and 4) other items.

(iv) In 2005, a $77 million favorable one-time tax benefit related to the repatriation of foreign earnings under the provisions of the American Jobs Creation Act and $40 million of pre-tax interest income related to an Internal Revenue Service tax settlement.

For additional information on 2009, 2008 and 2007 items, see the Notes to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

The effect of the items, described in (d) and (e) above, to earnings per share were $0.14 in 2009, $(0.40) in 2008, $0.68 in 2007, $(0.05) in 2006 and $0.33 in 2005.

(f) A store is typically included in the calculation of comparable store sales when it has been open or owned 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.

(g) Number of stores and selling square feet excludes independently owned La Senza stores operated by licensees.

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

The following discussion and analysis of financial condition and results of operations are based upon our Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The following information should be read in conjunction with our financial statements and the related notes included in Item 8. Financial Statements and Supplementary Data.

Our operating results are generally impacted by changes in the U.S. and Canadian economies and, therefore, we monitor 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 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 us in assessing our performance as well as the potential impact of industry trends on our future operating results. Additionally, we evaluate a number of key performance indicators including comparable store sales, gross profit, operating income and other performance metrics such as sales per average selling square foot and inventory per selling square foot in assessing our performance.

### Executive Overview

#### Strategy

Our strategy supports and drives our mission to build a family of the world's best fashion retail brands offering captivating customer experiences that drive long-term loyalty and deliver sustained value for our stakeholders.

To execute our strategy, we are focused on these key strategic imperatives:

- Grow and maximize profitability of our core brands in current channels and geographies;
- Extend our core brands into new channels and geographies;
- Incubate and grow new brands in current channels; and
- Build enabling infrastructure and capabilities.

***Grow and maximize profitability of our core brands in current channels and geographies***

The core of Victoria's Secret is bras and panties. We see clear opportunities for substantial growth in these categories by focusing on product newness and innovation and expanding into under-penetrated market and price segments. In our direct channel, we have the infrastructure in place to support growth well into the future. We believe our direct channel is an important form of brand advertising given the ubiquitous nature of the internet and our large mailing list.

The core of Bath & Body Works is its Signature Collection, antibacterial and home fragrance product lines, which together make up the majority of sales and profits for the business. During the past year we restaged both the Signature Collection and our antibacterial lines with more compelling fragrances, improved formulas and updated packaging. Additionally, www.BathandBodyWorks.com, which launched in 2006, continues to exhibit year-over-year growth.

We have a multi-year initiative to substantially increase operating margins for our brands through merchandise margin expansion and expense rationalization. With regard to merchandise margin expansion, we actively manage our inventory to minimize the level of promotional activity and we have and will continue to work with our merchandise vendors on innovation, quality, speed and cost. Additionally, we have made a concerted effort to manage home office headcount and overhead expenses. Finally, we have and will continue to optimize our marketing expense by concentrating our expenditures on efficient and return-generating programs.

***Extend our core brands into new channels and geographies***

We began our international expansion with the acquisition of La Senza at the beginning of 2007. Since 2008, we opened 31 Bath & Body Works stores and four Victoria's Secret Pink stores in Canada. Based on the success we have experienced in Canada, we plan to open an additional 30 to 35 Bath & Body Works stores and five more Victoria's Secret Pink stores in 2010. We also plan to open our first four Victoria's Secret stores in Canada in 2010.

We are also reviewing international opportunities outside of North America. In 2009, our partners opened seven Victoria's Secret travel and tourism stores with six of those stores outside of the United States. These stores are principally located in airports and tourist destinations. These stores are focused on Victoria's Secret branded beauty and accessory products and are operated by partners under a wholesale model. Our partners plan to open 10 to 15 more Victoria's Secret travel and tourism stores in 2010. We continue to analyze and explore how to further expand our brands outside of North America.

***Incubate and grow new brands in current channels***

Our most successful brands have either been conceived or incubated within Limited Brands, including Victoria's Secret and Bath & Body Works. We are constantly experimenting with new ideas and our current efforts include standalone Pink stores and Henri Bendel stores focused on accessories.

***Build enabling infrastructure and capabilities***

Over the past four years, we have opened a new Direct to Consumer distribution center, launched new merchandise planning systems, new supply chain management systems and new financial systems. We are using these capabilities to be able to more productively react to current market conditions, improve inventory accuracy, turnover and in-stock levels and deliver more targeted assortments at the store level. Going forward, we plan to implement new point-of-sale systems in our stores and new finance and other support systems in our direct channel.

**2009 Overview**

We anticipated that the retail environment would continue to be challenging in 2009. Our net sales decreased $411 million to $8.632 billion driven by a comparable store sales decrease of 4%. Our operating income increased $279 million to $868 million and our operating income rate improved significantly from 6.5% to 10.1%. In 2009, our operating income benefited from a $9 million gain associated with the reversal of an accrued contractual liability as a result of the divestiture of a joint venture. In 2008, our operating income was negatively impacted by $129 million which included a $215 million impairment charge related to goodwill and other intangible assets for our La Senza business, a $128 million gain related to the divestiture of a personal care joint venture, $23 million of expense related to restructuring activities and a $19 million impairment charge related to a joint venture.

The remainder of our operating income increase was driven by the strength of our holiday assortments, which coupled with disciplined inventory management, enabled us to reduce our promotional activity during the 2009 holiday season. Additionally, disciplined expense management also contributed to the increase in operating income. For additional information related to our 2009 financial performance, see "Results of Operations—2009 Compared to 2008."

During 2009, we focused on the conservative management of fundamentals including:

- Inventory levels—we ended 2009 down 12% and 17% as compared to 2008 and 2007, respectively, and our inventory per selling square foot ended 2009 down 9% and 16% compared to 2008 and 2007, respectively;

- Operating expenses—we benefited in 2009 from actions to reduce our expense base including reducing our home office headcount by approximately 10% during the second quarter of 2007 and an additional 10% during the fourth quarter of 2008;
- Capital expenditures—we reduced our capital expenditures from $479 million in 2008 to $202 million in 2009.
- Cash and liquidity—we generated cash flow from operations of $1.174 billion in 2009 and ended 2009 with $1.804 billion in cash. In addition, we had multiple changes within our capital structure in 2009:
  - In February 2009, we amended our $1 billion unsecured revolving credit facility expiring in August 2012 ("5-Year Facility") and our variable rate term loan ("Term Loan") which included changes to both the fixed charge coverage and leverage covenants providing additional flexibility. We also cancelled our $300 million, 364-day unsecured revolving credit facility ("364-Day Facility") after determining it was no longer required. Subsequent to 2009, we further amended our revolving credit facility, reducing it from $1 billion to $927 million and altering the terms to provide additional flexibility;
  - In June 2009, we issued $500 million of notes due in June 2019. We used the proceeds as well as cash on hand to retire $658 million of our debt obligations with maturities in 2012. Subsequent to 2009, we prepaid the remaining $200 million of our Term Loan due in 2012.

Despite the challenging environment during 2009, we accomplished the following in terms of the execution of our business strategy:

- The improvement in gross profit and operating income despite the decrease in net sales. Further, in the fourth quarter, our operating income rate increased significantly driven by a significant improvement in our gross profit rate;
- The expansion of Bath & Body Works stores into Canada;
- The introduction of Victoria's Secret Pink stores into Canada;
- The closure of the La Senza Girl business, which was not aligned with our overall strategic focus on lingerie, personal care and beauty;
- The expansion of Henri Bendel accessory stores in the United States; and
- The implementation of our new supply chain systems at Victoria's Secret Stores.

## 2010 Outlook

The global retail sector and our business continue to face a very uncertain environment and, as a result, we have taken a conservative stance in terms of the financial management of our business. We will continue to manage our business carefully and we will focus on the execution of the retail fundamentals.

At the same time, we are aggressively focusing on bringing compelling merchandise assortments, marketing and store experiences to our customers. We will look for, and capitalize on, those opportunities available to us in this challenging environment. We believe that our brands, which lead their categories and offer high emotional content at accessible prices, are well positioned heading into 2010.

**Store Data**

The following table compares 2009 store data to the comparable periods for 2008 and 2007:

| | 2009 | 2008 | 2007 | % Change 2009 | % Change 2008 |
|---|---|---|---|---|---|
| **Sales Per Average Selling Square Foot** | | | | | |
| Victoria's Secret Stores (a) | $ 581 | $ 620 | $ 694 | (6%) | (11%) |
| Bath & Body Works (a) | 587 | 594 | 655 | (1%) | (9%) |
| La Senza (b) (c) (d) | 420 | 456 | 455 | (8%) | —% |
| **Sales per Average Store (in thousands)** | | | | | |
| Victoria's Secret Stores (a) | $3,356 | $3,480 | $3,678 | (4%) | (5%) |
| Bath & Body Works (a) | 1,393 | 1,410 | 1,540 | (1%) | (8%) |
| La Senza (b) (c) (d) | 1,335 | 1,350 | 1,393 | (1%) | (3%) |
| **Average Store Size (selling square feet)** | | | | | |
| Victoria's Secret Stores (a) | 5,830 | 5,727 | 5,489 | 2% | 4% |
| Bath & Body Works (a) | 2,370 | 2,378 | 2,370 | —% | —% |
| La Senza (c) (d) | 3,366 | 3,026 | 2,888 | 11% | 5% |
| **Total Selling Square Feet (in thousands)** | | | | | |
| Victoria's Secret Stores (a) | 6,063 | 5,973 | 5,599 | 2% | 7% |
| Bath & Body Works (a) | 3,856 | 3,895 | 3,773 | (1%) | 3% |
| La Senza (c) (d) | 869 | 974 | 901 | (11%) | 8% |

(a) Metric relates to company-owned stores in the United States.
(b) Metric is presented in Canadian dollars to eliminate the impact of foreign currency fluctuations.
(c) Metric excludes independently owned La Senza stores operated by licensees.
(d) In 2009, we closed 53 La Senza Girl stores.

The following table compares 2009 store data to the comparable periods for 2008 and 2007:

| Number of Stores | 2009 | 2008 | 2007 |
|---|---|---|---|
| **Victoria's Secret (a)** | | | |
| Beginning of Period | 1,043 | 1,020 | 1,003 |
| Opened | 13 | 41 | 35 |
| Closed | (16) | (18) | (18) |
| End of Period | 1,040 | 1,043 | 1,020 |
| **Bath & Body Works** | | | |
| Beginning of Period | 1,638 | 1,592 | 1,546 |
| Opened | 9 | 80 | 67 |
| Closed | (20) | (34) | (21) |
| End of Period | 1,627 | 1,638 | 1,592 |
| **La Senza (b)** | | | |
| Beginning of Period | 322 | 312 | 291 |
| Opened | 2 | 15 | 27 |
| Closed (c) | (66) | (5) | (6) |
| Acquired | — | — | — |
| End of Period | 258 | 322 | 312 |
| **Bath & Body Works Canada** | | | |
| Beginning of Period | 6 | — | — |
| Opened | 25 | 6 | — |
| Closed | — | — | — |
| End of Period | 31 | 6 | — |
| **Henri Bendel** | | | |
| Beginning of Period | 5 | 2 | 2 |
| Opened | 6 | 3 | — |
| Closed | — | — | — |
| End of Period | 11 | 5 | 2 |
| **Apparel** | | | |
| Beginning of Period | — | — | 918 |
| Opened | — | — | — |
| Closed | — | — | (49) |
| Divested (d) | — | — | (869) |
| End of Period | — | — | — |

(a) Number of stores excludes Victoria's Secret Pink Canada store locations (4 in 2009 and 0 in 2008 and 2007).

(b) Number of stores excludes independently owned La Senza stores operated by licensees.

(c) In 2009, we closed 53 La Senza Girl stores.

(d) We divested 75% of our ownership interests in Express and Limited Stores in July 2007 and August 2007, respectively.

## Results of Operations—2009 Compared to 2008

### Operating Income

The following table provides our segment operating income (loss) and operating income rates (expressed as a percentage of net sales) for 2009 in comparison to 2008:

| | 2009 (in millions) | 2008 (in millions) | Operating Income Rate 2009 | Operating Income Rate 2008 |
|---|---|---|---|---|
| Victoria's Secret (a) | $579 | $405 | 10.9% | 7.2% |
| Bath & Body Works | 358 | 215 | 15.0% | 9.1% |
| Other (b) (c) (d) (e) | (69) | (31) | (7.3%) | (2.9%) |
| Total | $868 | $589 | 10.1% | 6.5% |

(a) 2008 includes a $215 million impairment charge related to goodwill and other intangible assets for the La Senza business. For additional information, see Critical Accounting Policies and Estimates and Note 8 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.
(b) Includes Corporate, Mast, Henri Bendel and our international operations excluding La Senza.
(c) 2009 includes a $9 million gain associated with the reversal of an accrued contractual liability. For additional information, see Note 9 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.
(d) 2008 includes a $109 million net gain on joint ventures. For additional information, see Note 4 and Note 9 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.
(e) 2008 includes $23 million of expense related to restructuring activities. For additional information, see Note 5 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

For 2009, operating income increased $279 million to $868 million and the operating income rate increased to 10.1% from 6.5%. The drivers of the operating income results are discussed in the following sections.

### Net Sales

The following table provides net sales for 2009 in comparison to 2008:

| | 2009 (in millions) | 2008 (in millions) | % Change |
|---|---|---|---|
| Victoria's Secret Stores | $3,496 | $3,590 | (3%) |
| La Senza (a) | 423 | 491 | (14%) |
| Victoria's Secret Direct | 1,388 | 1,523 | (9%) |
| Total Victoria's Secret | 5,307 | 5,604 | (5%) |
| Bath & Body Works | 2,383 | 2,374 | —% |
| Other (b) | 942 | 1,065 | (12%) |
| Total Net Sales | $8,632 | $9,043 | (5%) |

(a) La Senza includes an $11 million decrease in net sales from 2008 to 2009 related to currency fluctuations.
(b) Other includes Corporate, Mast, Henri Bendel and our international operations excluding La Senza.

The following tables provide a reconciliation of net sales for 2008 to 2009:

| | Victoria's Secret | Bath & Body Works | Other | Total |
|---|---|---|---|---|
| | (in millions) | | | |
| **2008 Net Sales** | $5,604 | $2,374 | $1,065 | $9,043 |
| Comparable Store Sales | (217) | (13) | (4) | (234) |
| Sales Associated with New, Closed and Non-comparable Remodeled Stores, Net | 66 | 10 | 53 | 129 |
| Foreign Currency Translation | (11) | — | 6 | (5) |
| Direct Channels | (135) | 12 | — | (123) |
| Mast Third-party Sales and Other | — | — | (178) | (178) |
| **2009 Net Sales** | $5,307 | $2,383 | $ 942 | $8,632 |

The following table compares 2009 comparable store sales to 2008:

| | 2009 | 2008 |
|---|---|---|
| Victoria's Secret Stores | (6%) | (9%) |
| La Senza | (8%) | (3%) |
| Total Victoria's Secret | (6%) | (8%) |
| Bath & Body Works | (1%) | (9%) |
| Total Comparable Store Sales (a) | (4%) | (9%) |

(a) Includes Bath & Body Works Canada and Henri Bendel.

For 2009, our net sales decreased $411 million to $8.632 billion and comparable store sales decreased 4%. The decrease in our net sales was primarily driven by the following:

***Victoria's Secret***

For 2009, net sales decreased $297 million to $5.307 billion and comparable store sales decreased 6%. The net sales result was primarily driven by:

- At Victoria's Secret Stores, net sales decreased across many categories in the spring season primarily driven by a merchandise assortment that did not overcome the challenging economic environment. However, net sales improved across most categories in the holiday season primarily driven by an improved merchandise assortment and a reduction of promotional activity.
- At Victoria's Secret Direct, net sales decreased 9% with decreases across most merchandise categories, most notably apparel, in the spring season. The declines were partially offset with a net sales increase across most categories in the holiday season, including intimate apparel and Pink, primarily driven by an improved merchandise assortment and a reduction of promotional activity.
- At La Senza, net sales decreased due to a merchandise assortment that did not overcome the challenging economic environment, declines in the La Senza Girl business and unfavorable currency translation adjustments.

The decrease in comparable store sales was primarily driven by lower average dollar sales partially offset by an increase in total transactions.

***Bath & Body Works***

For 2009, net sales increased $9 million to $2.383 billion and comparable store sales decreased 1%. From a merchandise category perspective, net sales were driven by the Signature Collection, antibacterial and home fragrance categories partially offset by discontinued product lines and our performance brands. The decrease in comparable store sales was primarily driven by a decrease in total transactions partially offset by higher average dollar sales.

***Other***

For 2009, net sales decreased $123 million to $942 million related to a decline in third-party sales at Mast partially offset by net sales primarily related to the introduction of Bath & Body Works and Victoria's Secret Pink into Canada.

**Gross Profit**

For 2009, our gross profit increased $22 million to $3.028 billion and our gross profit rate (expressed as a percentage of net sales) increased to 35.1% from 33.2% primarily driven by the following:

***Victoria's Secret***

For 2009, gross profit decreased primarily driven by:

- At Victoria's Secret Stores, gross profit decreased driven by lower merchandise margin dollars as a result of the decline in net sales and increased promotional activity during the spring season. The decrease in the spring season was partially offset by higher merchandise margin dollars as a result of an increase in net sales and reduced promotional activity during the holiday season;
- At La Senza, gross profit decreased driven by a decrease in merchandise margin dollars primarily due to the decline in net sales and unfavorable currency fluctuations;
- At Victoria's Secret Direct, gross profit decreased driven by lower merchandise margin dollars as a result of the decline in net sales and increased promotional activity during the spring season. The decrease in the spring season was partially offset by higher merchandise margin dollars as a result of an increase in net sales and reduced promotional activity during the holiday season. Gross profit also benefited from a decrease in buying and occupancy expenses primarily as a result of improved efficiencies related to the new distribution center.

The gross profit rate was relatively flat for 2009.

***Bath & Body Works***

For 2009, gross profit increased primarily driven by higher merchandise margin dollars due to an increase in sales of higher margin products and a reduction in buying and occupancy expenses.

The increase in the gross profit rate was driven by increases in the merchandise margin and decreases in buying and occupancy rates due to the factors cited above.

***Other***

For 2009, gross profit increased primarily driven by the introduction of Bath & Body Works and Victoria's Secret Pink into Canada and the gross profit rate increased as a result of a decline in lower margin Mast third-party sales.

**General, Administrative and Store Operating Expenses**

For 2009, our general, administrative and store operating expenses decreased $145 million to $2.166 billion primarily driven by:

- expense reductions across all segments in categories such as home office and marketing in conjunction with our enterprise cost initiatives;

- lower store selling expenses due to a reduction in sales;

Partially offset by:

- an increase in incentive compensation due to improved performance, particularly in the Fall season.

The general, administrative and store operating expense rate decreased to 25.1% from 25.6% primarily driven by the factors cited above.

**Impairment of Goodwill and Other Intangible Assets**

In the fourth quarter of 2009, we recognized charges totaling $3 million related to the impairment of the La Senza Girl trade name and other minor trade names. This impairment charge is included in Impairment of Goodwill and Other Intangible Assets on the 2009 Consolidated Statement of Income. For additional information, see Critical Accounting Policies and Estimates and Note 8 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

In the fourth quarter of 2008, we recognized charges totaling $215 million related to the impairment of goodwill and trade name assets associated with our La Senza business. The impairment charges were based on our evaluation of the estimated fair value of the La Senza business and trade name assets as compared to their respective carrying values. Our evaluation concluded that as a result of the global economic downturn and the related negative impact on La Senza's operating performance, the fair value of the La Senza business and trade name assets were below their carrying values as of the fourth quarter of 2008. This impairment charge is included in Impairment of Goodwill and Other Intangible Assets on the 2008 Consolidated Statement of Income. For additional information, see Critical Accounting Policies and Estimates and Note 8 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

**Net Gain on Joint Ventures**

In April 2008, we and our investment partner completed the divestiture of a personal care joint venture to a third party. We recognized a pre-tax gain of $128 million on the divestiture. The pre-tax gain is included in Net Gain on Joint Ventures on the 2008 Consolidated Statement of Income.

In addition, we recorded a pre-tax charge of $19 million related to another joint venture. The charge consisted of writing down the investment balance, reserving certain accounts and notes receivable and accruing a contractual liability. The impairment of $19 million is also included in Net Gain on Joint Ventures on the 2008 Consolidated Statement of Income. In July 2009, we recognized a pre-tax gain of $9 million ($14 million net of related tax benefits) associated with the reversal of the accrued contractual liability as a result of the divestiture of the joint venture. The pre-tax gain is included in Net Gain on Joint Ventures on the 2009 Consolidated Statement of Income.

**Other Income and Expenses**

**Interest Expense**

The following table provides the average daily borrowings and average borrowing rates for 2009 and 2008:

| | 2009 | 2008 |
|---|---|---|
| Average daily borrowings (in millions) | $2,982 | $2,909 |
| Average borrowing rate (in percentages) | 6.7% | 5.9% |

For 2009, our interest expense increased $56 million to $237 million. The increase was primarily driven by $10 million of expense associated with the February 2009 amendments to our 5-Year Facility and Term Loan, $8 million of expense associated with terminating certain participating interest rate swap arrangements, increases in the average borrowings and average borrowing rates and an increase in fees related to our 5-Year Facility.

### Interest Income

For 2009, our interest income decreased $16 million to $2 million. The decrease was driven by lower yields given the lower interest rate environment and our more conservative investment portfolio partially offset by the impact of higher average invested cash balances.

### Other Income (Loss)

For 2009, our other income (loss) decreased $6 million to $17 million primarily due to a $71 million cash distribution from Express in 2008 which resulted in a pre-tax gain of $13 million, partially offset by higher income from our equity investment in both Express and Limited Stores in 2009. We divested 75% of our equity interests in Express and Limited Stores in July 2007 and August 2007, respectively, and retained the remaining 25% interests as equity method investments.

### Provision for Income Taxes

For 2009, our effective tax rate decreased to 31.1% from 51.5%. The decrease in the rate resulted primarily from the impact of the impairment of goodwill and other intangible assets at La Senza in 2008, which were not deductible for income tax purposes. In addition, the rate decreased due to the reversal of deferred tax liabilities on unremitted foreign earnings due to international restructuring and resolution of certain tax matters in 2009.

### Results of Operations—Fourth Quarter of 2009 Compared to Fourth Quarter of 2008

### Operating Income

The following table provides our segment operating income (loss) and operating income rates (expressed as a percentage of net sales) for the fourth quarter of 2009 in comparison to the fourth quarter of 2008:

| | Fourth Quarter | | Operating Income Rate | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | (in millions) | | | |
| Victoria's Secret (a) | $312 | $ (2) | 17.3% | (0.1%) |
| Bath & Body Works | 294 | 209 | 29.2% | 21.0% |
| Other (b) (c) | (20) | (54) | (7.8%) | (24.2%) |
| Total | $586 | $153 | 19.1% | 5.1% |

(a) 2008 includes a $215 million impairment charge related to goodwill and other intangible assets for the La Senza business. For additional information, see Critical Accounting Policies and Estimates and Note 8 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.
(b) Includes Corporate, Mast, Henri Bendel and our international operations excluding La Senza.
(c) 2008 includes $23 million of expense related to restructuring activities. For additional information, see Note 5 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

For the fourth quarter of 2009, operating income increased $433 million to $586 million and the operating income rate increased to 19.1% from 5.1%. The drivers of the operating income results are discussed in the following sections.

**Net Sales**

The following table provides net sales for the fourth quarter of 2009 in comparison to the fourth quarter of 2008:

| Fourth Quarter | 2009 | 2008 | % Change |
|---|---|---|---|
| | (in millions) | | |
| Victoria's Secret Stores | $1,201 | $1,185 | 1% |
| La Senza (a) | 134 | 133 | 1% |
| Victoria's Secret Direct | 463 | 449 | 3% |
| Total Victoria's Secret | 1,798 | 1,767 | 2% |
| Bath & Body Works | 1,008 | 998 | 1% |
| Other (b) | 257 | 226 | 14% |
| Total Net Sales | $3,063 | $2,991 | 2% |

(a) La Senza includes a $19 million increase in net sales from 2008 to 2009 related to currency fluctuations.
(b) Includes Corporate, Mast, Henri Bendel and our international operations excluding La Senza.

The following table provides a reconciliation of net sales for the fourth quarter of 2008 to the fourth quarter of 2009:

| Fourth Quarter | Victoria's Secret | Bath & Body Works | Other | Total |
|---|---|---|---|---|
| | | (in millions) | | |
| **2008 Net Sales** | $1,767 | $ 998 | $226 | $2,991 |
| Comparable Store Sales | (3) | 17 | (1) | 13 |
| Sales Associated With New, Closed and Non-comparable Remodeled Stores, Net | 2 | (11) | 28 | 19 |
| Foreign Currency Translation | 19 | — | 5 | 24 |
| Direct Channels | 13 | 4 | — | 17 |
| Mast Third-party Sales and Other | — | — | (1) | (1) |
| **2009 Net Sales** | $1,798 | $1,008 | $257 | $3,063 |

The following table compares fourth quarter of 2009 comparable store sales to fourth quarter of 2008:

| Fourth Quarter | 2009 | 2008 |
|---|---|---|
| Victoria's Secret Stores | 0% | (10%) |
| La Senza | (4%) | (10%) |
| Total Victoria's Secret | 0% | (10%) |
| Bath & Body Works | 2% | (11%) |
| Total Comparable Store Sales (a) | 1% | (10%) |

(a) Includes Bath & Body Works Canada and Henri Bendel.

For the fourth quarter of 2009, our net sales increased $72 million to $3.063 billion and comparable store sales increased 1%. The increase in our net sales was primarily driven by the following:

***Victoria's Secret***

For the fourth quarter of 2009, net sales increased $31 million to $1.798 billion and comparable store sales were flat. The increase in net sales was primarily driven by:

- At Victoria's Secret Stores, net sales increased across most categories, including core lingerie, primarily driven by an improved merchandise assortment and a reduction of promotional activity, partially offset by a decrease in beauty;

- At Victoria's Secret Direct, net sales increased 3% with increases across most categories, including intimate apparel, primarily driven by a merchandise assortment that incorporated newness, innovation and fashion, as well as a decrease in promotional activity;
- At La Senza, net sales increased slightly due to favorable currency fluctuations mostly offset by declines in the La Senza Girl business and a merchandise assortment that did not overcome the challenging economic environment.

***Bath & Body Works***

For the fourth quarter of 2009, net sales increased $10 million to $1.008 billion and comparable store sales increased 2%. From a merchandise category perspective, net sales were driven by the Signature Collection, antibacterial and home fragrance categories offset by discontinued product lines and our performance brands. The increase in comparable store sales was primarily driven by higher average dollar sales partially offset by a decline in total transactions.

***Other***

For the fourth quarter of 2009, net sales increased $31 million to $257 million. The increase in net sales was primarily driven by the introduction of Bath & Body Works and Victoria's Secret Pink into Canada.

**Gross Profit**

For the fourth quarter of 2009, our gross profit increased $225 million to $1.249 billion and our gross profit rate (expressed as a percentage of net sales) increased to 40.8% from 34.3% primarily driven by the following:

***Victoria's Secret***

For the fourth quarter of 2009, gross profit increased primarily driven by:

- At Victoria's Secret Stores, gross profit increased driven by higher merchandise margin dollars as a result of decreased promotional activity coupled with an increase in net sales. Buying and occupancy expenses decreased slightly.
- At Victoria's Secret Direct, gross profit increased driven by higher merchandise margin dollars associated with decreased promotional activity and an increase in net sales. Additionally, buying and occupancy expenses decreased due to lower catalogue costs.

Partially offset by:

- At La Senza, gross profit decreased driven by an increase in buying and occupancy expense related to the closure of the La Senza Girl business, partially offset by an increase in merchandise margin dollars due primarily to favorable currency fluctuations.

The increase in the gross profit rate was driven primarily by an increase in the merchandise margin rate and a decrease in the buying and occupancy expense rate due to the factors cited above.

***Bath & Body Works***

For the fourth quarter of 2009, gross profit increased primarily driven by higher merchandise margin dollars as a result of a decrease in promotional activity, our cost reduction efforts and an increase in net sales. In addition, buying and occupancy expenses decreased primarily due to store real estate activity that drove incremental expense in 2008.

The increase in the gross profit rate was driven by an increase in the merchandise margin rate and a decrease in the buying and occupancy rate due to the factors cited above.

***Other***

For the fourth quarter of 2009, gross profit increased primarily driven by the introduction of Bath & Body Works and Victoria's Secret Pink into Canada and the gross profit rate increased as a result of the impact of our international business relative to the lower margin Mast third-party sales.

**General, Administrative and Store Operating Expenses**

For the fourth quarter of 2009, our general, administrative and store operating expenses increased $4 million to $660 million primarily driven by an increase in incentive compensation due to improved performance, partially offset by expense reductions across all our segments in home office in conjunction with our enterprise cost initiatives. In addition, the fourth quarter of 2008 included $23 million of restructuring charges.

The general, administrative and store operating expense rate decreased to 21.5% from 21.9% due to leverage associated with the increase in net sales.

**Impairment of Goodwill and Other Intangible Assets**

In the fourth quarter of 2009, we recognized charges totaling $3 million related to the impairment of the La Senza Girl trade name and other minor trade names. This impairment charge is included in Impairment of Goodwill and Other Intangible Assets on the 2009 Consolidated Statement of Income. For additional information, see Critical Accounting Policies and Estimates and Note 8 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

In the fourth quarter of 2008, we recognized charges totaling $215 million related to the impairment of goodwill and trade name assets associated with our La Senza business. The impairment charges were based on our evaluation of the estimated fair value of the La Senza business and trade name assets as compared to their respective carrying values. Our evaluation concluded that as a result of the global economic downturn and the related negative impact on La Senza's operating performance, the fair value of the La Senza business and trade name assets were below their carrying values as of the fourth quarter of 2008. This impairment charge is included in Impairment of Goodwill and Other Intangible Assets on the 2008 Consolidated Statement of Income. For additional information, see Critical Accounting Policies and Estimates and Note 8 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

**Other Income and Expense**

**Interest Expense**

The following table provides the average daily borrowings and average borrowing rates for the fourth quarter of 2009 and 2008:

| Fourth Quarter | 2009 | 2008 |
|---|---|---|
| Average daily borrowings (in millions) | $2,857 | $2,900 |
| Average borrowing rate (in percentages) | 6.8% | 5.9% |

For the fourth quarter of 2009, our interest expense increased $16 million to $61 million. The increase was primarily driven by $8 million of expense associated with terminating a portion of our participating interest rate swap arrangements as well as increases in average borrowing rates and fees related to our 5-Year Facility.

## Interest Income

For the fourth quarter of 2009, our interest income decreased $2 million to less than $1 million. The decrease was primarily driven by a decrease in average effective interest rates partially offset by an increase in the average invested cash balances.

## Other Income (Loss)

For the fourth quarter of 2009, our other income increased $11 million to $11 million. The increase was primarily driven by higher income from our equity investment in both Express and Limited Stores in 2009. We divested 75% of our equity interests in Express and Limited Stores in July 2007 and August 2007, respectively, and retained the remaining 25% interests as equity method investments.

## Provision for Income Taxes

For the fourth quarter of 2009, our effective tax rate decreased to 33.6% from 85.4%. The decrease in the rate resulted primarily from the 2008 impairment of goodwill and other intangible assets at La Senza in 2008, which was not deductible for income tax purposes. In addition, the rate decreased due to the reversal of deferred tax liabilities on unremitted foreign earnings due to international restructuring in 2009.

## Results of Operations—2008 Compared to 2007

## Operating Income

The following table provides our segment operating income (loss) and operating income rates (expressed as a percentage of net sales) for 2008 in comparison to 2007:

| | 2008 | 2007 | Operating Income Rate 2008 | Operating Income Rate 2007 |
|---|---|---|---|---|
| | (in millions) | | | |
| Victoria's Secret (a) (b) | $405 | $ 718 | 7.2% | 12.8% |
| Bath & Body Works | 215 | 302 | 9.1% | 12.1% |
| Apparel (c) | — | 250 | NA | 28.7% |
| Other (d) (e) (f) (g) | (31) | (160) | (2.9%) | (13.7%) |
| Total | $589 | $1,110 | 6.5% | 11.0% |

(a) 2008 includes a $215 million impairment charge related to goodwill and other intangible assets for the La Senza business. For additional information, see Critical Accounting Policies and Estimates and Note 8 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.
(b) 2007 includes $48 million related to initial recognition of income for unredeemed gift cards for Victoria's Secret.
(c) 2007 includes a $230 million net gain related to the divestiture of Express and Limited Stores. For additional information, see Note 4 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.
(d) Includes Corporate, Mast, Henri Bendel and our international operations excluding La Senza.
(e) 2008 includes a $109 million net gain on joint ventures. For additional information, see Note 4 and Note 9 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.
(f) 2008 includes $23 million of expense related to restructuring activities. For additional information, see Note 5 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.
(g) 2007 includes restructuring and impairment charges totaling $53 million, which excludes both the $6 million of noncontrolling interest income associated with the charges and $25 million in gains related to the

sale of assets. For additional information, see Note 5 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

NA Not applicable

For 2008, operating income decreased $521 million to $589 million and the operating income rate decreased to 6.5% from 11.0%. The drivers of the operating income results are discussed in the following sections.

**Net Sales**

The following table provides net sales for 2008 in comparison to 2007:

| | 2008 | 2007 | % Change |
|---|---|---|---|
| | (in millions) | | |
| Victoria's Secret Stores | $3,590 | $ 3,720 | (3%) |
| La Senza (a) | 491 | 488 | 1% |
| Victoria's Secret Direct | 1,523 | 1,399 | 9% |
| Total Victoria's Secret | 5,604 | 5,607 | —% |
| Bath & Body Works | 2,374 | 2,494 | (5%) |
| Express (b) | NA | 659 | NM |
| Limited Stores (b) | NA | 211 | NM |
| Total Apparel (b) | NA | 870 | NM |
| Other (c) | 1,065 | 1,163 | (8%) |
| Total Net Sales | $9,043 | $10,134 | (11%) |

(a) La Senza includes a $19 million decrease in net sales from 2007 to 2008 related to currency fluctuations.
(b) Express and Limited Stores were divested in July 2007 and August 2007, respectively.
(c) Other includes Corporate, Mast, Henri Bendel and our international operations excluding La Senza.
NA Not applicable
NM Not meaningful

The following tables provide a reconciliation of net sales for 2007 to 2008:

| | Victoria's Secret | Bath & Body Works | Apparel | Other | Total |
|---|---|---|---|---|---|
| | | | (in millions) | | |
| **2007 Net Sales** | $5,607 | $2,494 | $ 870 | $1,163 | $10,134 |
| Comparable Store Sales | (289) | (212) | — | — | (501) |
| Sales Associated with New, Closed, Divested and Non-comparable Remodeled Stores, Net | 181 | 73 | (870) | 14 | (602) |
| Foreign Currency Translation | (19) | — | — | — | (19) |
| Direct Channels | 124 | 19 | — | — | 143 |
| Mast Third-party Sales and Other | — | — | — | (112) | (112) |
| **2008 Net Sales** | $5,604 | $2,374 | $ — | $1,065 | $ 9,043 |

The following table compares 2008 comparable store sales to 2007:

| | 2008 | 2007 |
|---|---|---|
| Victoria's Secret Stores | (9%) | (2%) |
| La Senza | (3%) | 6% |
| Total Victoria's Secret | (8%) | (2%) |
| Bath & Body Works | (9%) | (4%) |
| Express (a) | NA | 6% |
| Limited Stores (a) | NA | 4% |
| Total Apparel (a) | NA | 5% |
| Total Comparable Store Sales (b) | (9%) | (2%) |

(a) Reflects comparable store sales prior to the divestitures of Express and Limited Stores in July 2007 and August 2007, respectively.
(b) Includes Henri Bendel.
NA Not applicable

For 2008, our net sales decreased 11% to $9.043 billion and comparable store sales decreased 9%. The decrease in our net sales was primarily driven by the following:

***Victoria's Secret***

For 2008, net sales remained relatively flat at $5.604 billion and comparable store sales decreased 8%. The net sales result was primarily driven by:

- At Victoria's Secret Direct, net sales increased 9% driven by improved performance in certain categories including swimwear and dresses and the impact of the 2007 operational issues at the new distribution center;
- At La Senza, net sales increased slightly due to increased net sales to international licensees and new store growth mostly offset by unfavorable currency fluctuations;

Partially offset by:

- At Victoria's Secret Stores, net sales decreased across many categories primarily driven by a merchandise assortment that did not overcome the challenging economic environment and initial recognition of gift card breakage of $48 million in 2007. The declines were partially offset by growth related to new and expanded stores and an increase in Pink.

The decrease in comparable store sales was primarily driven by declines in store traffic and transactions in addition to decreased units per sales transaction.

***Bath & Body Works***

For 2008, net sales decreased 5% to $2.374 billion and comparable store sales decreased 9%. Net sales decreased driven by weak store traffic and the challenging economic environment. From a category perspective, declines in Signature Collection were offset partially by increases in the Aromatherapy, True Blue Spa and home fragrance categories. The decrease in comparable store sales was primarily driven by declines in store traffic and lower average unit retail prices offset partially by an increase in merchandise units per transaction.

***Apparel and Other***

For 2008, Apparel net sales decreased $870 million as a result of the 2007 divestitures of 75% of our equity interests in Express and Limited Stores. In addition, Other net sales decreased $98 million to $1.065 billion primarily driven by a decrease in Mast sales as well as the personal care joint venture that was sold in the first quarter of 2008.

**Gross Profit**

For 2008, our gross profit decreased 14% to $3.006 billion and our gross profit rate (expressed as a percentage of net sales) decreased to 33.2% from 34.6% primarily driven by the following:

***Victoria's Secret***

For 2008, gross profit decreased primarily driven by the decrease at Victoria's Secret Stores in net sales and the related decrease in merchandise margin dollars combined with increased buying and occupancy expenses related to our new and remodeled stores.

Victoria's Secret Direct's gross profit remained relatively flat as the impact of the 9% increase in net sales was offset by the impact of increased promotional activity to clear inventory and an increase in catalogue circulation.

The gross profit rate decreased driven primarily by an increase in the buying and occupancy expense rate as cited above.

***Bath & Body Works***

For 2008, gross profit decreased primarily driven by lower net sales and a related decrease in merchandise margin dollars combined with an increase in buying and occupancy expenses associated with store real estate activity.

The gross profit rate decreased driven primarily by an increase in the buying and occupancy expense rate due to the factors cited above.

***Apparel and Other***

For 2008, gross profit decreased $250 million as a result of the divestitures of 75% equity interest in Express and Limited Stores in 2007.

**General, Administrative and Store Operating Expenses**

For 2008, our general, administrative and store operating expenses decreased 12% to $2.311 billion primarily driven by:

- the Apparel divestitures in the second quarter of 2007;
- the elimination of costs related to the technology joint venture that was closed in December 2007;
- the elimination of costs related to the personal care joint venture that was sold in the first quarter of 2008; and
- expense reductions across all segments, primarily in home office costs.

Partially offset by:

- gains of $25 million related to the sale of assets in 2007.

The general, administrative and store operating expense rate decreased to 25.6% from 25.8% primarily driven by the factors cited above.

### Impairment of Goodwill and Other Intangible Assets

In the fourth quarter of 2008, we recognized charges totaling $215 million related to the impairment of goodwill and trade name assets associated with our La Senza business. The impairment charges were based on our evaluation of the estimated fair value of the La Senza business and trade name assets as compared to their respective carrying values. Our evaluation concluded that as a result of the global economic downturn and the related negative impact on La Senza's operating performance, the fair value of the La Senza business and trade name assets were below their carrying values as of the fourth quarter of 2008. This impairment charge is included in Impairment of Goodwill and Other Intangible Assets on the 2008 Consolidated Statement of Income. For additional information, see Critical Accounting Policies and Estimates and Note 8 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

### Net Gain on Joint Ventures

In April 2008, we and our investment partner completed the divestiture of a personal care joint venture to a third party. We recognized a pre-tax gain of $128 million on the divestiture. The pre-tax gain is included in Net Gain on Joint Ventures on the 2008 Consolidated Statement of Income. In addition, we recorded a $19 million impairment charge related to another joint venture. The charge consisted of writing down the investment balance, reserving certain accounts and notes receivable and accruing a contractual liability. The impairment of $19 million is also included in Net Gain on Joint Ventures on the 2008 Consolidated Statement of Income.

### Apparel Divestitures

On July 6, 2007, we finalized the divestiture of a 75% ownership interest in our Express brand to affiliates of Golden Gate Capital for pre-tax net cash proceeds of $547 million. The transaction resulted in a pre-tax gain on divestiture of $302 million.

On August 3, 2007, we divested a 75% ownership interest of our Limited Stores business to affiliates of Sun Capital Partners. As part of the transaction, Sun Capital contributed $50 million of equity capital into the business and arranged for a $75 million credit facility. We received no cash proceeds from the transaction and recorded a pre-tax loss of $72 million on the transaction.

## Other Income and Expenses

### Interest Expense

The following table provides the average daily borrowings and average borrowing rates for 2008 and 2007:

| | 2008 | 2007 |
|---|---|---|
| Average daily borrowings (in millions) | $2,909 | $2,408 |
| Average borrowing rate (in percentages) | 5.9% | 6.2% |

For 2008, interest expense increased $32 million to $181 million. The increase was primarily driven by an increase in average borrowings and an increase in fees related to our credit facilities partially offset by a decrease in the average borrowing rate.

### Interest Income

For 2008, our interest income remained flat at $18 million as the impact of higher average invested cash balances was offset by a decrease in average effective interest rates.

### Other Income (Loss)

For 2008, other income (loss) decreased $105 million to $23 million due to a 2007 gain of $100 million related to a distribution from Easton Town Center, LLC and net gains of $17 million from the settlement of interest rate lock agreements in 2007. The other income decrease was partially offset by a $71 million cash distribution from Express which resulted in a pre-tax gain of $13 million in 2008.

### Provision for Income Taxes

For 2008, our effective tax rate increased to 51.5% from 36.4%. The increase in the rate resulted primarily from the 2008 impairment of goodwill and other intangible assets at La Senza, which was not deductible for income tax purposes.

### Noncontrolling Interest

For 2008, noncontrolling interest decreased $18 million to $4 million. Noncontrolling interest represents the proportional share of net income or losses of consolidated, less than wholly owned subsidiaries attributable to the noncontrolling interest investor. The decrease is a result of the divestiture of a personal care joint venture in first quarter of 2008 and the closure of a technology joint venture in December 2007.

### Results of Operations—Fourth Quarter of 2008 Compared to Fourth Quarter of 2007

### Operating Income

The following table provides our segment operating income (loss) and operating income rates (expressed as a percentage of net sales) for the fourth quarter of 2008 in comparison to the fourth quarter of 2007:

| | Fourth Quarter | | Operating Income Rate | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | (in millions) | | | |
| Victoria's Secret (a) (b) | $ (2) | $358 | (0.1%) | 18.9% |
| Bath & Body Works | 209 | 296 | 21.0% | 27.3% |
| Other (c) (d) | (54) | (33) | (24.2%) | (10.5%) |
| Total | $153 | $621 | 5.1% | 19.0% |

(a) 2008 includes a $215 million impairment charge related to goodwill and other intangible assets for the La Senza business. For additional information, see Critical Accounting Policies and Estimates and Note 8 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.
(b) 2007 includes $48 million related to initial recognition of income for unredeemed gift cards for Victoria's Secret.
(c) Includes Corporate, Mast, Henri Bendel and our international operations excluding La Senza.
(d) 2008 includes $23 million in restructuring charges. For additional information, see Note 5 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

For the fourth quarter of 2008, operating income decreased $468 million to $153 million and the operating income rate decreased to 5.1% from 19.0%. The drivers of the operating income results are discussed in the following sections.

**Net Sales**

The following table provides net sales for the fourth quarter of 2008 in comparison to the fourth quarter of 2007:

| Fourth Quarter | 2008 | 2007 | % Change |
|---|---|---|---|
| | (in millions) | | |
| Victoria's Secret Stores | $1,185 | $1,294 | (8%) |
| La Senza (a) | 133 | 166 | (20%) |
| Victoria's Secret Direct | 449 | 433 | 4% |
| Total Victoria's Secret | 1,767 | 1,893 | (7%) |
| Bath & Body Works | 998 | 1,080 | (8%) |
| Other (b) | 226 | 303 | (25%) |
| Total Net Sales | $2,991 | $3,276 | (9%) |

(a) La Senza includes a $31 million decrease in net sales from 2007 to 2008 related to currency fluctuations.
(b) Other includes Corporate, Mast, Henri Bendel and our international operations excluding La Senza.

The following table provides a reconciliation of net sales for the fourth quarter of 2007 to the fourth quarter of 2008:

| Fourth Quarter | Victoria's Secret | Bath & Body Works | Other | Total |
|---|---|---|---|---|
| | (in millions) | | | |
| **2007 Net Sales** | $1,893 | $1,080 | $303 | $3,276 |
| Comparable Store Sales | (128) | (107) | (2) | (237) |
| Sales Associated With New, Closed, Divested and Non-comparable Remodeled Stores, Net | 17 | 18 | 11 | 46 |
| Foreign Currency Translation | (31) | — | — | (31) |
| Direct Channels | 16 | 7 | — | 23 |
| Mast Third-party Sales and Other | — | — | (86) | (86) |
| **2008 Net Sales** | $1,767 | $ 998 | $226 | $2,991 |

The following table compares fourth quarter of 2008 comparable store sales to fourth quarter of 2007:

| Fourth Quarter | 2008 | 2007 |
|---|---|---|
| Victoria's Secret Stores | (10%) | (8%) |
| La Senza | (10%) | 6% |
| Total Victoria's Secret | (10%) | (8%) |
| Bath & Body Works | (11%) | (8%) |
| Total Comparable Store Sales (a) | (10%) | (8%) |

(a) Includes Henri Bendel.

For the fourth quarter of 2008, our net sales decreased 9% to $2.991 billion and comparable store sales decreased 10%. The decrease in our net sales was primarily driven by the following:

***Victoria's Secret***

For the fourth quarter of 2008, net sales decreased 7% to $1.767 billion and comparable store sales decreased 10%. The decrease in net sales was primarily driven by:

- At Victoria's Secret Stores, net sales decreased across most categories primarily driven by a merchandise assortment that did not overcome the challenging economic environment and the initial recognition of gift card breakage of $48 million in 2007. The declines were partially offset by growth related to new and expanded stores as well as an increase in Pink;
- At La Senza, net sales decreased due to unfavorable currency fluctuations and a merchandise assortment that did not overcome the challenging economic environment;

Partially offset by:

- At Victoria's Secret Direct, although sales were below our expectations due to the challenging economic environment, net sales increased 4% as we anniversaried the 2007 operational issues at the new distribution center which negatively impacted net sales in 2007.

The decrease in comparable store sales was primarily driven by declines in store traffic and lower average unit retail prices offset partially by an increase in merchandise units per transaction.

***Bath & Body Works***

For the fourth quarter of 2008, net sales decreased 8% to $998 million and comparable store sales decreased 11%. Net sales decreased across most merchandise categories as a result of the challenging economic environment. The decrease in comparable store sales was primarily driven by lower average unit retail prices and declines in store traffic.

***Other***

For the fourth quarter of 2008, net sales decreased 25% to $226 million. The decrease in net sales was primarily driven by a decrease in Mast sales as well as the personal care joint venture that was sold in the first quarter of 2008.

**Gross Profit**

For the fourth quarter of 2008, our gross profit decreased 21% to $1.024 billion and our gross profit rate (expressed as a percentage of net sales) decreased to 34.3% from 39.6% primarily driven by the following:

***Victoria's Secret***

For the fourth quarter of 2008, gross profit decreased primarily driven by:

- At Victoria's Secret Stores, gross profit decreased significantly driven by lower merchandise margin dollars as a result of the decline in net sales, including the impact of the initial recognition of gift card breakage in 2007, and increased promotional activity to drive sales and clear inventory. In addition, buying and occupancy expenses increased as a result of investments in our new and remodeled stores.
- At Victoria's Secret Direct, gross profit decreased as a result of a decline in merchandise margin dollars associated with increased promotional activity. Additionally, buying and occupancy expenses increased due to higher catalogue circulation;

- At La Senza, gross profit decreased driven by a decrease in merchandise margin dollars due to unfavorable currency fluctuations and a comparable store sales decrease of 10%.

The decrease in the gross profit rate was driven primarily by a decrease in the merchandise margin rate and an increase in the buying and occupancy expense rate due to the factors cited above.

***Bath & Body Works***

For the fourth quarter of 2008, gross profit decreased primarily driven by lower merchandise margin dollars as a result of a decline in net sales and an increase in promotional activity to drive sales and clear inventory. In addition, buying and occupancy expenses increased as a result of our store real estate activity.

The decrease in the gross profit rate was driven by a decrease in the merchandise margin rate and an increase in the buying and occupancy rate due to the factors cited above.

**General, Administrative and Store Operating Expenses**

For the fourth quarter of 2008, our general, administrative and store operating expenses decreased 3% to $656 million primarily driven by:

- the elimination of costs related to the technology joint venture that was closed in December 2007; and
- the elimination of costs related to the personal care joint venture that was sold in the first quarter of 2008.

Partially offset by:

- a restructuring charge of $23 million consisting of severance and related costs in the fourth quarter of 2008.

The general, administrative and store operating expense rate increased to 21.9% from 20.6% primarily driven by the overall decline in sales during the fourth quarter of 2008.

**Impairment of Goodwill and Other Intangible Assets**

In the fourth quarter of 2008, we recognized charges totaling $215 million related to the impairment of goodwill and trade name assets associated with our La Senza business. The impairment charges were based on our evaluation of the estimated fair value of the La Senza business and trade name assets as compared to their respective carrying values. Our evaluation concluded that as a result of the global economic downturn and the related negative impact on La Senza's operating performance, the fair value of the La Senza business and trade name assets were below their carrying values as of the fourth quarter of 2008. This impairment charge is included in Impairment of Goodwill and Other Intangible Assets on the 2008 Consolidated Statement of Income. For additional information, see Critical Accounting Policies and Estimates and Note 8 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

**Other Income and Expense**

**Interest Expense**

The following table provides the average daily borrowings and average borrowing rates for the fourth quarter of 2008 and 2007:

| Fourth Quarter | 2008 | 2007 |
|---|---|---|
| Average daily borrowings (in millions) | $2,900 | $2,943 |
| Average borrowing rate (in percentages) | 5.9% | 6.3% |

For the fourth quarter of 2008, our interest expense decreased $1 million to $45 million. The decrease was primarily driven by a decrease in average borrowings and average borrowing rates offset partially by an increase in fees related to our credit facilities.

### Interest Income

For the fourth quarter of 2008, our interest income decreased $4 million to $2 million. The decrease was primarily driven by a decrease in average effective interest rates which was the result of a general decline in interest rates and a change in our investment portfolio which shifted to U.S. government-backed securities.

### Other Income (Loss)

For the fourth quarter of 2008, our other income decreased $10 million to $0. The decrease was primarily driven by lower income from our equity investment in Express. We divested 75% of our equity interest in Express in July 2007 and retained the remaining 25% as an equity method investment.

### Provision for Income Taxes

For the fourth quarter of 2008, our effective tax rate increased to 85.4% from 34.2%. The increase in the rate resulted primarily from the impairment of goodwill and other intangible assets at La Senza, which was not deductible for income tax purposes.

## FINANCIAL CONDITION

### Liquidity and Capital Resources

Liquidity, or access to cash, is an important factor in determining our financial stability. We are committed to maintaining adequate liquidity. Cash generated from our operating activities provides the primary resources to support current operations, growth initiatives, seasonal funding requirements and capital expenditures. Our cash provided from operations is impacted by our net income and working capital changes. Our net income is impacted by, among other things, sales volume, seasonal sales patterns, success of new product introductions and profit margins. Historically, sales are higher during the fourth quarter of the fiscal year due to seasonal and holiday-related sales patterns. Generally, our need for working capital peaks during the fall months as inventory builds in anticipation of the holiday period.

The following table provides our outstanding debt as of January 30, 2010 and January 31, 2009:

| | January 30, 2010 | January 31, 2009 |
|---|---|---|
| | (in millions) | |
| **Senior Secured Debt** | | |
| Term Loan due August 2012. Variable Interest Rate of 4.28% as of January 30, 2010 | $ 200 | $ 750 |
| 5.30% Mortgage due August 2010 | 2 | 2 |
| Total Senior Secured Debt | $ 202 | $ 752 |
| **Senior Unsecured Debt with Subsidiary Guarantee** | | |
| $500 million, 8.50% Fixed Interest Rate Notes due June 2019, Less Unamortized Discount | $ 485 | $ — |
| **Senior Unsecured Debt** | | |
| $700 million, 6.90% Fixed Interest Rate Notes due July 2017, Less Unamortized Discount | $ 699 | $ 698 |
| $500 million, 5.25% Fixed Interest Rate Notes due November 2014, Less Unamortized Discount | 499 | 499 |
| $350 million, 6.95% Fixed Interest Rate Debentures due March 2033, Less Unamortized Discount | 350 | 350 |
| $300 million, 7.60% Fixed Interest Rate Notes due July 2037, Less Unamortized Discount | 299 | 299 |
| 6.125% Fixed Interest Rate Notes due December 2012, Less Unamortized Discount | 191 | 299 |
| Total Senior Unsecured Debt | $2,038 | $2,145 |
| Total | $2,725 | $2,897 |

***Issuance of 2019 Notes***

In June 2009, we issued $500 million of 8.50% notes due in June 2019 ("2019 Notes") through an institutional private placement offering. The 2019 Notes are jointly and severally guaranteed on a full and unconditional basis by certain of our wholly-owned subsidiaries (the "guarantors"). The net proceeds from the issuance were $473 million, which included an issuance discount of $16 million and transaction costs of $11 million.

We used the proceeds from the 2019 Notes to repurchase $108 million of our 2012 notes and to prepay $392 million of the Term Loan.

On November 10, 2009, we and the guarantors filed a registration statement with the SEC to register new notes with materially identical terms to the 2019 Notes. On December 15, 2009, we and the guarantors filed an amended registration statement to offer a public exchange of these notes. On January 29, 2010, the exchange offer expired with 100% of bondholders exchanging the 2019 Notes.

***Repurchase of 2012 Notes***

In June 2009, we repurchased $5 million of our $300 million notes due in December 2012 through open market transactions. In July 2009, we launched a tender offer for the remaining portion of the 2012 notes. In August 2009, we repurchased an additional $103 million of the 2012 notes through the tender offer for $101 million.

### *Credit Facility and Term Loan*

*2009 Activity*

The following table details the prepayment activity in 2009 related to our Term Loan:

| | 2009 |
|---|---|
| | (in millions) |
| Balance as of January 31, 2009 | $ 750 |
| July 2009 Prepayment | (125) |
| August 2009 Prepayment | (200) |
| September 2009 Prepayment | (67) |
| December 2009 Prepayment | (158) |
| Balance as of January 30, 2010 | $ 200 |

On February 19, 2009, we amended our 5-Year Facility and Term Loan and we canceled a 364-Day Facility after determining it was no longer required. The amendment to the 5-Year Facility and the Term Loan included changes to both the fixed charge coverage and leverage covenants which provided additional flexibility. Under the amended covenants, we are required to maintain the fixed charge coverage ratio at 1.60 or above through fiscal year 2010 and 1.75 or above thereafter. The leverage ratio, which is debt compared to EBITDA, as those terms are defined in the agreement, must not exceed 5.0 through the third quarter of fiscal year 2010, 4.5 from the fourth quarter of fiscal year 2010 through the third quarter of fiscal year 2011 and 4.0 thereafter. The amendment also increased the interest costs and fees associated with the 5-Year Facility and the Term Loan, provided for certain security interests as defined in the agreement and limited dividends, share repurchases and other restricted payments as defined in the agreement to $220 million per year with certain potential increases as defined in the agreement. The amendment did not impact the maturity dates of either the 5-Year Facility or the Term Loan.

We incurred fees related to the amendment of the 5-Year Facility and the Term Loan of $19 million. The fees associated with the 5-Year Facility amendment of $11 million were capitalized and are being amortized over the remaining term of the 5-Year Facility. The fees associated with the Term Loan amendment of $8 million were expensed in addition to unamortized fees related to the original agreement of $2 million. These charges are included within Interest Expense on the 2009 Consolidated Statement of Income.

The 5-Year Facility and Term Loan have several interest rate options, which are based in part on our long-term credit ratings. For the fourth quarter of 2009, the effective interest rate of the Term Loan, including the impact of the participating interest rate swap arrangements, was 6.88%. Fees payable under the 5-Year Facility are based on our long-term credit ratings and are currently 0.75% of the committed and unutilized amounts per year and 4.00% on any outstanding borrowings or letters of credit. As of January 30, 2010, there were no borrowings outstanding under the 5-Year Facility.

As discussed above, we prepaid $392 million of the Term Loan. In December 2009, we prepaid an additional $158 million of the Term Loan with cash on-hand. As of January 30, 2010, the remaining outstanding principal balance on the Term Loan was $200 million.

*2010 Activity*

In March 2010, we prepaid the remaining $200 million of the Term Loan with cash on hand and also entered into an amendment and restatement (the “Amendment”) of our 5-Year Facility. The Amendment reduces the aggregate amount of the commitments of the lenders under the 5-Year Facility from $1 billion to $927 million. The Amendment also extends the term on $800 million of the 5-Year Facility through August 1, 2014.

The Amendment also modifies the covenants limiting investments and restricted payments, as defined in the agreement, to provide that investments and restricted payments may be made, without limitation on amount, if

(a) at the time of and after giving effect to such investment or restricted payment the ratio of consolidated debt to consolidated EBITDA for the most recent four quarter period is less than 3.0 to 1.0 and (b) no default or event of default exists as defined in the agreement.

We incurred fees related to the amendment of the 5-Year Facility of $13 million, which were capitalized and will be amortized over the remaining term of the 5-Year Facility.

***Letters of Credit and Commercial Paper Programs***

The 5-Year Facility supports our commercial paper and letter of credit programs. We have $65 million of outstanding letters of credit as of January 30, 2010 that reduce our remaining availability under our amended credit agreements. No commercial paper was outstanding as of January 30, 2010 and January 31, 2009.

***Working Capital and Capitalization***

We believe that our available short-term and long-term capital resources are sufficient to fund foreseeable requirements.

The following table provides a summary of our working capital position and capitalization as of January 30, 2010, January 31, 2009 and February 2, 2008:

| | January 30, 2010 | January 31, 2009 | February 2, 2008 |
|---|---|---|---|
| | | (in millions) | |
| Cash Provided by Operating Activities | $1,174 | $ 954 | $ 765 |
| Capital Expenditures | 202 | 479 | 749 |
| Working Capital | 1,928 | 1,612 | 1,545 |
| Capitalization: | | | |
| Long-term Debt | 2,723 | 2,897 | 2,905 |
| Shareholders' Equity | 2,183 | 1,874 | 2,219 |
| Total Capitalization | 4,906 | 4,771 | 5,124 |
| Additional Amounts Available Under Credit Agreements (a) (b) | 935 | 1,300 | 1,500 |

(a) On February 19, 2009, we cancelled the 364-Day Facility, thereby reducing the amount available under credit agreements to $1 billion as of that date.
(b) As part of the February 19, 2009 amendment to the 5-Year Facility, letters of credit issued subsequent to the amendment reduce our remaining availability under the 5-Year Facility. As of January 30, 2010, we have outstanding $65 million of letters of credit that reduce our remaining availability under the 5-Year Facility.

The following table provides certain measures of liquidity and capital resources as of January 30, 2010, January 31, 2009 and February 2, 2008:

| | January 30, 2010 | January 31, 2009 | February 2, 2008 |
|---|---|---|---|
| Debt-to-equity Ratio (a) | 125% | 155% | 131% |
| Debt-to-capitalization Ratio (b) | 55% | 61% | 57% |
| Cash Flow to Capital Investment (c) | 581% | 199% | 102% |

(a) Long-term debt divided by shareholders' equity
(b) Long-term debt divided by total capitalization
(c) Net cash provided by operating activities divided by capital expenditures

### Credit Ratings

The following table provides our credit ratings as of January 30, 2010:

| | Moody's(a) | S&P(b) | Fitch |
|---|---|---|---|
| Senior Secured Debt | Ba2 | BB | BB+ |
| Senior Unsecured Debt with Subsidiary Guarantee | Ba2 | BB | BB |
| Senior Unsecured Debt | Ba3 | BB- | BB |
| Outlook | Stable | Negative | Negative |

(a) In March 2010, Moody's upgraded our Senior Unsecured Debt with Subsidiary Guarantee rating to Ba1 from Ba2. In addition, Moody's changed their outlook to Positive from Stable.
(b) In March 2010, S&P changed their outlook to Stable from Negative.

Our borrowing costs and certain other provisions under our Term Loan and 5-Year Facility are linked to our credit ratings. If we receive an additional downgrade to our corporate credit ratings by S&P or Moody's, the availability of additional credit could be negatively affected and our borrowing costs would increase. Credit rating downgrades by any of the agencies do not accelerate the repayment of any of our debt.

### Common Stock Share Repurchases

In October 2008, our Board of Directors authorized management to repurchase $250 million of our outstanding common stock. In 2008, we repurchased 19.0 million shares of our common stock for $219 million at an average price per share of approximately $11.48. In 2009, no additional shares were purchased.

In March 2010, our Board of Directors approved a new repurchase program of $200 million and cancelled our previous $250 million share repurchase program, which had $31 million remaining.

### Dividend Policy and Procedures

We currently pay a common stock dividend of $0.15 per share in cash each quarter. Our Board of Directors will determine future dividends after giving consideration to our levels of profit and cash flow, capital requirements, current and forecasted liquidity, the restrictions placed upon us by our borrowing arrangements as well as financial and other conditions existing at the time.

In March 2010, the Company's Board of Directors declared a special dividend of $1 per share. The special dividend will be distributed on April 19, 2010 to shareholders of record at the close of business on April 5, 2010.

### Treasury Share Retirement

In January 2010, we retired 201 million shares of our Treasury Stock to reduce the related administrative expense. The retirement resulted in a reduction of $4.641 billion in Treasury Stock, $101 million in the par value of Common Stock, $1.545 billion in Paid-in Capital and $2.995 billion in Retained Earnings.

## Cash Flow

The following table provides a summary of our cash flow activity for the fiscal years ended January 30, 2010, January 31, 2009 and February 2, 2008:

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| | | (in millions) | |
| Cash and Cash Equivalents, Beginning of Year | $1,173 | $1,018 | $ 500 |
| Net Cash Flows Provided by Operating Activities | 1,174 | 954 | 765 |
| Net Cash Flows Provided by (Used For) Investing Activities | (162) | (240) | 30 |
| Net Cash Flows Used For Financing Activities | (387) | (562) | (279) |
| Effect of Exchange Rate Changes on Cash | 6 | 3 | 2 |
| Net Increase in Cash and Cash Equivalents | 631 | 155 | 518 |
| Cash and Cash Equivalents, End of Year | $1,804 | $1,173 | $1,018 |

### *Operating Activities*

Net cash provided by operating activities in 2009 was $1.174 billion. Net income of $448 million included $393 million of depreciation and amortization. Other changes in assets and liabilities represent items that had a current period cash flow impact, such as changes in working capital. The most significant working capital change was a $156 million increase in operating cash flow associated with a reduction in inventories. Inventory levels decreased compared to 2008 due to a concerted effort to control and reduce inventory levels across the enterprise.

Net cash provided by operating activities in 2008 was $954 million. Net income of $216 million included (a) $377 million of depreciation and amortization, (b) a $215 million impairment of goodwill and other intangible assets and (c) a $109 million net gain on joint ventures. Other changes in assets and liabilities represent items that had a current period cash flow impact, such as changes in working capital. The most significant working capital change was a $103 million increase in operating cash flow associated with a reduction in accounts receivable due primarily to reduced sourcing and other transition services billings to Express and Limited Stores.

Net cash provided by operating activities in 2007 was $765 million consisting primarily of net income of $696 million. Net income included (a) $385 million of depreciation and amortization, (b) the $302 million gain on divestiture of Express, and (c) the $100 million gain on distribution from Easton Town Center, LLC. Other changes in assets and liabilities represent items that had a current period cash flow impact, such as changes in working capital. The most significant working capital change was a $337 million increase in operating cash flow associated with a reduction in inventories. Inventory levels decreased compared to 2006 due to a concerted effort to control and reduce inventory levels across the enterprise and due to reductions in safety stocks at Bath & Body Works that increased during 2006 in connection with the 2006 supply chain system conversion. Accounts receivable increased due to the Apparel divestitures, which caused Mast's accounts receivable from Express and Limited Stores to be recognized as third-party receivables on our balance sheet.

### *Investing Activities*

Net cash used for investing activities in 2009 was $162 million consisting primarily of $202 million of capital expenditures partially offset by $32 million of proceeds related to the sale of an asset. The capital expenditures included $163 million for opening new stores and remodeling and improving existing stores. Remaining capital expenditures were primarily related to spending on technology and infrastructure to support growth.

Net cash used for investing activities in 2008 was $240 million consisting primarily of $479 million of capital expenditures offset by $159 million from the divestiture of a joint venture and $95 million from returns of capital from Express. The capital expenditures included $345 million for opening new stores and remodeling and improving existing stores. Remaining capital expenditures were primarily related to spending on technology and infrastructure to support growth.

Net cash provided by investing activities in 2007 was $30 million consisting primarily of (a) $547 million of proceeds from the divestiture of Express, (b) $102 million of proceeds from a distribution from Easton Town Center, LLC, and (c) $97 million of proceeds related to the sale of assets, offset by $749 million of capital expenditures. The capital expenditures included $476 million for opening new stores and remodeling and improving existing stores. Remaining capital expenditures were primarily related to investments in our new distribution center and increased spending on home office, technology and infrastructure.

We anticipate spending approximately $250 million to $300 million for capital expenditures in 2010 with the majority relating to opening new stores and remodeling and improving existing stores. We expect to open approximately 50 new stores primarily in Canada.

***Financing Activities***

Net cash used for financing activities in 2009 was $387 million consisting primarily of the prepayment of $550 million of our Term Loan, quarterly dividend payments of $0.15 per share, or $193 million, cash payments of $106 million to repurchase 2012 notes and $19 million of costs related to the amendment of our 5-Year Facility and Term Loan in February 2009. These were partially offset by the net proceeds of $473 million from the issuance of $500 million of notes.

Net cash used for financing activities in 2008 was $562 million consisting primarily of (a) cash payments of $379 million related to the repurchase of 28 million shares of common stock during the year at a weighted-average price of $13.36 under our November 2007 and October 2008 share repurchase programs and (b) quarterly dividend payments of $0.15 per share, or $201 million. These uses of cash were partially offset by the exercise of stock options of $31 million.

Net cash used for financing activities in 2007 was $279 million consisting primarily of (a) cash payments of $1.4 billion related to the repurchase of 59 million shares of common stock during the year at a weighted-average price of $24.01 under our June 2006, June 2007, August 2007 and November 2007 share repurchase programs and (b) quarterly dividend payments of $0.15 per share, or $227 million. These uses of cash were partially offset by (a) debt offering proceeds of $997 million, (b) proceeds from the term loan refinancing of $250 million and (c) the exercise of stock options of $74 million.

**Contingent Liabilities and Contractual Obligations**

The following table provides our contractual obligations, aggregated by type, including the maturity profile as of January 30, 2010:

| | Payments Due by Period | | | | | |
|---|---|---|---|---|---|---|
| | Total | Less Than 1 Year | 1-3 Years | 4-5 Years | More than 5 Years | Other |
| | (in millions) | | | | | |
| Long-term Debt (a) | $4,910 | $ 192 | $ 765 | $ 828 | $3,125 | $— |
| Operating Leases Obligations (b) | 3,132 | 478 | 840 | 699 | 1,115 | — |
| Purchase Obligations (c) | 1,225 | 1,073 | 24 | 16 | 112 | — |
| Other Liabilities (d) | 342 | 36 | 15 | 3 | — | 288 |
| Total | $9,609 | $1,779 | $1,644 | $1,546 | $4,352 | $288 |

(a) Long-term debt obligations relate to our principal and interest payments for outstanding notes, debentures, Term Loan and line of credit borrowings. Interest payments have been estimated based on the coupon rate for fixed rate obligations and the variable rate, including the impact of the participating interest rate swap arrangement, in effect as of January 30, 2010 for the Term Loan. Interest obligations exclude amounts which have been accrued through January 30, 2010. For additional information, see Note 12 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

(b) Operating lease obligations primarily represent minimum payments due under store lease agreements. For additional information, see Note 16 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

(c) 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.

(d) Other liabilities primarily includes future payments relating to our nonqualified supplemental retirement plan of $168 million 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. In addition, Other Liabilities also includes future estimated payments associated with unrecognized tax benefits. The "Less Than 1 Year" category includes $25 million because it is reasonably possible that the payments could change in the next twelve months due to audit settlements or resolution of uncertainties. The remaining portion of $120 million is included in the "Other" category as the timing and amount of these payments is not known until the matters are resolved with relevant tax authorities. For additional information, see Notes to the Consolidated Financial Statements in Item 8. Financial Statements and Supplementary Data.

In connection with the disposition of certain businesses, we have remaining guarantees of approximately $135 million related to lease payments of Express, Limited Stores, Abercrombie & Fitch, Dick's Sporting Goods (formerly Galyan's), Lane Bryant, New York & Company and Anne.x under the current terms of noncancelable leases expiring at various dates through 2017. 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, our guarantee may remain in effect if the term of a lease is extended.

The following table details the guaranteed lease payments during the next five fiscal years and the remaining years thereafter:

| **Fiscal Year (in millions)** | |
|---|---|
| 2010 | $ 36 |
| 2011 | 30 |
| 2012 | 22 |
| 2013 | 20 |
| 2014 | 15 |
| Thereafter | 12 |
| Total | $135 |

In April 2008, we received an irrevocable standby letter of credit from Express of $34 million issued by a third-party bank to mitigate a portion of our contingent liability for guaranteed future lease payments of Express. We can draw from the irrevocable standby letter of credit if Express were to default on any of the guaranteed leases. The irrevocable standby letter of credit is reduced through November 1, 2010, the expiration date of the letter of credit, consistent with the overall reduction in guaranteed lease payments. The outstanding balance of the irrevocable standby letter of credit from Express was $6 million as of January 30, 2010.

Our guarantees related to Express, Limited Stores and New York & Company require fair value accounting in accordance with U.S. generally accepted accounting principles ("GAAP") in effect at the time of these divestitures. The guaranteed lease payments related to Express (net of the irrevocable standby letter of credit), Limited Stores and New York & Company totaled $84 million and $94 million as of January 30, 2010 and January 31, 2009, respectively. The estimated fair value of these guarantee obligations was $9 million and $15 million as of January 30, 2010 and January 31, 2009, respectively, and is included in Other Long-term Liabilities on our Consolidated Balance Sheets. The decrease in the fair value from January 31, 2009 to January 30, 2010 reflects the impact of the current economic environment and our assessment of the risk of default on the guaranteed lease payments.

Our guarantees related to Abercrombie & Fitch, Dick's Sporting Goods (formerly Galyan's), Lane Bryant and Anne.x are not subject to the fair value accounting, but require that a loss be accrued when probable and reasonably estimable based on U.S. GAAP in effect at the time of these divestitures. As of January 30, 2010 and January 31, 2009, we had no liability recorded with respect to any of the guarantee obligations as we concluded that payment under these guarantees was not probable.

**Off Balance Sheet Arrangements**

We have no off balance sheet arrangements as defined by Regulation 229.303 Item 303 (a) (4).

**Recently Issued Accounting Pronouncements**

*Accounting Standards Codification ("Codification") and the Hierarchy of Generally Accepted Accounting Principles ("GAAP")*

In June 2009, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") Subtopic 105, *Generally Accepted Accounting Principles*, which reorganizes the thousands of U.S. GAAP pronouncements into roughly 90 accounting topics and displays all topics using a consistent structure. It also includes relevant SEC guidance that follows the same topical structure in separate sections in the Codification. In the third quarter of 2009, we changed our historical U.S. GAAP references to comply with the Codification. The adoption of this guidance did not impact our results of operations, financial condition or liquidity since the Codification is not intended to change or alter existing U.S. GAAP.

*Subsequent Events*

In May 2009, the FASB issued authoritative guidance included in ASC Subtopic 855, *Subsequent Events,* which incorporates guidance on subsequent events into authoritative accounting literature and clarifies the time following the balance sheet date that must be considered for subsequent events disclosures in the financial statements. In the second quarter of 2009, we adopted this guidance which requires disclosure of the date through which subsequent events have been reviewed. This guidance did not change our procedures for reviewing subsequent events. In February 2010, the FASB issued Accounting Standards Update 2010-09 to amend ASC Subtopic 855, *Subsequent Events*, to not require disclosure of the date through which management evaluated subsequent events in the financial statements for either originally issued financial statements or reissued financial statements.

*Derivative Instruments and Hedging Activities*

In March 2008, the FASB issued authoritative guidance included in ASC Subtopic 815, *Derivatives and Hedging*, which requires disclosures about the fair value of derivative instruments and their gains or losses in tabular format as well as disclosures regarding credit-risk-related contingent features in derivative agreements, counterparty credit risk and strategies and objectives for using derivative instruments. This guidance amends and expands previously released authoritative guidance and became effective prospectively beginning in 2009. In the first quarter of 2009, we adopted this guidance. For additional information, see Note 4 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

*Consolidation*

In December 2007, the FASB issued authoritative guidance included in ASC Subtopic 810, *Consolidation,* which modifies reporting for noncontrolling interest (minority interest) in consolidated financial statements. This guidance requires noncontrolling interest to be reported in equity and establishes a new framework for recognizing net income or loss and comprehensive income or loss by the controlling interest. This guidance further requires specific disclosures regarding changes in equity interest of both the controlling and noncontrolling parties and presentation of the noncontrolling equity balance and income or loss for all periods presented. This guidance became effective for interim and annual periods in fiscal years beginning after December 15, 2008. The statement is applied prospectively upon adoption, however the presentation and disclosure requirements are applied retrospectively. In the first quarter of 2009, we adopted this guidance recharacterizing minority interest as a noncontrolling interest and classifying it as a component of equity in our consolidated financial statements. On June 15, 2009, we filed a Current Report on Form 8-K to reflect the retrospective application to our Annual Report on Form 10-K for the year ended January 31, 2009.

*Fair Value Measurements*

In September 2006, the FASB issued authoritative guidance included in ASC Subtopic 820, *Fair Value Measurements and Disclosures*, which provides guidance for fair value measurement of assets and liabilities and instruments measured at fair value that are classified in shareholders' equity. This guidance defines fair value, establishes a fair value measurement framework and expands fair value disclosures. It emphasizes that fair value is market-based with the highest measurement hierarchy level being market prices in active markets. This guidance requires fair value measurements be disclosed by hierarchy level, an entity to include its own credit standing in the measurement of its liabilities and modifies the transaction price presumption.

In February 2008, the FASB delayed the effective date for this guidance to fiscal years beginning after November 15, 2008 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually).

Accordingly, as of February 3, 2008, we adopted the authoritative guidance for financial assets and liabilities only on a prospective basis. As of February 1, 2009, we adopted the remaining provisions. The adoption of this guidance did not have a significant impact on our results of operations, financial condition or liquidity. For additional information, see Note 14 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

In January 2010, the FASB issued Accounting Standards Update 2010-06, which amends ASC Subtopic 820, *Fair Value Measurement and Disclosures*. This guidance requires new disclosures and provides amendments to clarify existing disclosures. The new requirements include disclosing transfers in and out of Levels 1 and 2 fair value measurements and the reasons for the transfers and further disaggregating activity in Level 3 fair value measurements. The clarification of existing disclosure guidance includes further disaggregation of fair value measurement disclosures for each class of assets and liabilities and providing disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. This guidance is effective for interim and annual reporting periods beginning after December 15, 2009, except for the new disclosures regarding the activity in Level 3 measurements, which will be effective for fiscal years beginning after December 15, 2010. We will adopt this guidance for the fiscal period beginning January 31, 2010, except for the new disclosure regarding the activity in Level 3 measurements, which we will adopt for the fiscal period beginning January 30, 2011.

**Impact of Inflation**

While it is difficult to accurately measure the impact of inflation due to the imprecise nature of the estimates required, we believe 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 adopt accounting policies related to estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of net sales 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 accounting policies, estimates and judgments, including those related to inventories, long-lived assets, claims and contingencies, income taxes and revenue recognition. Management bases our 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 our critical accounting policies and estimates with the Audit Committee of our Board of Directors and believes the following assumptions and estimates are most significant to reporting our results of operations and financial position.

### Inventories

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

We record valuation adjustments to our inventories if the cost of specific inventory items on hand exceeds the amount we expect to realize from the ultimate sale or disposal of the inventory. These estimates are based on management's judgment regarding future demand and market conditions and analysis of historical experience. If actual demand or market conditions are different than those projected by management, future period merchandise margin rates may be unfavorably or favorably affected by adjustments to these estimates.

We also record inventory loss adjustments for estimated physical inventory losses that have occurred since the date of the last physical inventory. These estimates are based on management's analysis of historical results and operating trends.

Management believes that the assumptions used in these estimates are reasonable and appropriate. A 10% increase or decrease in the inventory valuation adjustment would have impacted net income by approximately $3 million for 2009. A 10% increase or decrease in the estimated physical inventory loss adjustment would have impacted net income by approximately $2 million for 2009.

### Valuation of Long-lived Assets

Property and equipment and intangible assets with finite lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the estimated undiscounted future cash flows related to the asset are less than the carrying value, we recognize a loss equal to the difference between the carrying value and the estimated fair value, usually determined by the estimated discounted future cash flows of the asset. 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.

Goodwill is reviewed for impairment each year in the fourth quarter and may be reviewed more frequently if certain events occur or circumstances change. The impairment review is performed by comparing each reporting unit's carrying value to its estimated fair value, determined through either estimated discounted future cash flows or market-based methodologies. If the carrying value exceeds the estimated fair value, we determine the fair value of all assets and liabilities of the reporting unit, including the implied fair value of goodwill. If the carrying value of goodwill exceeds the implied fair value, we recognize an impairment charge equal to the difference.

Intangible assets with indefinite lives are reviewed for impairment each year in the fourth quarter and may be reviewed more frequently if certain events occur or circumstances change. The impairment review is performed by comparing the carrying value to the estimated fair value, usually determined by the estimated discounted future cash flows of the asset.

The Company estimates the fair value of property and equipment, goodwill and intangible assets in accordance with the provisions of ASC Subtopic 820, *Fair Value Measurements and Disclosures.* If future economic conditions are different than those projected by management, future impairment charges may be required.

***Impairment of La Senza Goodwill and Other Intangible Assets***

In conjunction with the January 2007 acquisition of La Senza, we recorded $313 million in goodwill and $170 million in trade name and other intangible assets. These assets are included in the La Senza reporting unit which is part of the Victoria's Secret segment.

*Impairment Recognized*

*2008*

In the latter half of 2008, La Senza was negatively impacted by the global economic downturn and the resulting impact on the Canadian retail environment. As a result, La Senza's operating results deteriorated significantly, particularly when compared to our expectations at the time of acquisition. In the fourth quarter of 2008, we concluded that the goodwill and certain trade name assets related to the La Senza acquisition were impaired and recorded impairment charges of $189 million and $26 million related to the goodwill and trade name assets, respectively. These impairment charges are included in Impairment of Goodwill and Other Intangible Assets on the 2008 Consolidated Statement of Income.

*2009*

In the fourth quarter of 2009, we concluded that certain trade names would no longer be utilized within the La Senza business. As a result, we recorded an impairment charge of $3 million. These impairment charges are included in Impairment of Goodwill and Other Intangible Assets on the 2009 Consolidated Statement of Income.

*Impairment Testing—Goodwill*

We evaluated La Senza's goodwill by comparing the carrying value of the La Senza reporting unit to the estimated fair value of the reporting unit derived using a discounted cash flow methodology. We corroborated the estimated fair value of the La Senza reporting unit as determined by our discounted cash flow approach by referencing a market-based methodology.

*2008*

Based on our 2008 evaluation, the carrying value of the La Senza reporting unit exceeded the estimated fair value. As a result, we measured the goodwill impairment by comparing the carrying value of the reporting unit's goodwill to the implied value of the goodwill based on the estimated fair value of the reporting unit, considering the fair value of all assets and liabilities. As a result of this analysis, we recognized a goodwill impairment charge of $189 million in 2008.

*2009*

Our 2009 evaluation indicated that the fair value of the La Senza reporting unit was in excess of the carrying value. As a result, we were not required to calculate the implied value of goodwill and no impairment was recognized. Reasonable changes in the significant estimates and assumptions used to determine the fair value would not have resulted in a goodwill impairment in the La Senza reporting unit.

*Impairment Testing—Trade names*

We evaluated the La Senza trade name assets by comparing the carrying value to the estimated fair value determined using a relief from royalty methodology.

*2008*

Based on our 2008 evaluation, the carrying value of certain La Senza trade name assets exceeded their estimated fair value and, as a result, we recognized trade name impairment charges of $26 million in 2008.

*2009*

In the fourth quarter of 2009, we made the decision to exit the La Senza Girl business and recorded an impairment charge of $3 million related to the La Senza Girl trade name and other minor sub-brands. Our 2009 evaluation of the overall La Senza trade name indicated that the fair value was in excess of the carrying value. As a result, no impairment was recognized with regards to this asset.

*Significant Estimates and Assumptions*

Our determination of the estimated fair value of the La Senza reporting unit and trade name assets requires significant judgments about economic factors, industry factors, our views regarding the future prospects of the La Senza reporting unit as well as numerous estimates and assumptions that are highly subjective. The estimates and assumptions critical to the overall fair value estimates include: (i) estimated future cash flow generated by La Senza; (ii) discount rates used to derive the present value factors used in determining the fair values; and (iii) the terminal value assumption used in the discounted cash flow methodologies; and (iv) the royalty rate assumption used in the relief from royalty valuation methodology. These and other estimates and assumptions are impacted by economic conditions and expectations of management and may change in the future based on period-specific facts and circumstances. If future economic conditions are different than those projected by management, additional future impairment charges may be required.

*Sensitivity Analysis*

The following provides sensitivities to our 2009 significant estimates and assumptions as noted above:

- a 10% decrease in estimated future cash flows would result in a $23 million increase in the trade name impairment charges.
- a 1% increase in the discount rate would result in a $12 million increase in the trade name impairment charges.
- a 10% decrease in the terminal value assumption would result in a $10 million increase in the trade name impairment charges.

**Claims and Contingencies**

We are subject to various claims and contingencies related to lawsuits, insurance, regulatory and other matters arising out of the normal course of business. Our 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. We consult with legal counsel on matters related to litigation and seek input from both internal and external experts within and outside our organization with respect to matters in the ordinary course of business. We accrue 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 disclosed in the Notes to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

**Income Taxes**

We account for income taxes under the asset and liability method. Under this method, the amount of taxes currently payable or refundable are accrued and deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets are also recognized for realizable operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted income tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in income tax rates is recognized in our Consolidated Statement of Income in the period that includes the enactment date. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets if it is more likely than not that such assets will not be realized.

Significant judgment is required in determining the provision for income taxes and related accruals, deferred tax assets and liabilities. In determining our provision for income taxes, we use an annual effective income tax rate based on annual income, permanent differences between book and tax income and statutory income tax rates. We adjust the annual effective income tax rate as additional information on outcomes or events becomes available. Our effective income tax rate is affected by items including changes in tax law, the tax jurisdiction of new stores or business ventures and the level of earnings.

We follow the authoritative guidance included in ASC Subtopic 740, *Income Taxes*, which contains a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. We consider many factors when evaluating and estimating our tax positions and tax benefits, which may require periodic adjustments and which may not accurately forecast actual outcomes. Our policy is to include interest and penalties related to uncertain tax positions in income tax expense.

Our income tax returns, like those of most companies, are periodically audited by domestic and foreign tax authorities. These audits include questions regarding our tax filing positions, including the timing and amount of deductions and the allocation of income among various tax jurisdictions. At any one time, multiple tax years are subject to audit by the various tax authorities. We record an accrual for more likely than not exposures after evaluating the positions associated with our various income tax filings. A number of years may elapse before a particular matter for which we have established an accrual is audited and fully resolved or clarified. We adjust our tax contingencies accrual and income tax provision in the period in which matters are effectively settled with tax authorities at amounts different from our established accrual when the statute of limitations expires for the relevant taxing authority to examine the tax position or when more information becomes available.

Although we believe that our 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 our Consolidated Financial Statements.

**Revenue Recognition**

While our recognition of revenue does not involve significant judgment, revenue recognition represents an important accounting policy for our organization. We recognize revenue upon customer receipt of the merchandise. For direct response revenues, we estimate shipments that have not been received by the customer based on shipping terms and historical delivery times. We also provide a reserve for projected merchandise returns based on prior experience.

All of our brands sell gift cards with no expiration dates to customers in retail stores, through our direct channels and through third parties. We do not charge administrative fees on unused gift cards. We recognize income from gift cards when they are redeemed by the customer. In addition, we recognize income on unredeemed gift cards when we can determine that the likelihood of the gift card being redeemed is remote and there is no legal obligation to remit the unredeemed gift cards to relevant jurisdictions (gift card breakage). We determine the gift card breakage rate based on historical redemption patterns. Gift card breakage is included in Net Sales in our Consolidated Statements of Income.

Additionally, we recognize revenue associated with merchandise sourcing services provided to third parties, consisting primarily of former subsidiaries as well as other third parties. Revenue is recognized at the time the title passes to the customer.

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

### Market Risk

The market risk inherent in our financial instruments represents the potential loss in fair value, earnings or cash flows arising from adverse changes in foreign currency exchange rates or interest rates. We use derivative financial instruments like the cross-currency swaps and the participating interest rate swap arrangement to manage exposure to market risks. We do not use derivative financial instruments for trading purposes.

#### *Foreign Exchange Rate Risk*

Our foreign exchange rate translation exposure is primarily the result of the January 2007 acquisition of La Senza Corporation, whose operations are conducted primarily in Canada. To mitigate the translation risk to our earnings and the fair value of our investment in La Senza associated with fluctuations in the U.S. dollar-Canadian dollar exchange rate, we entered into a series of cross-currency swaps related to Canadian dollar denominated intercompany loans. These cross-currency swaps require the periodic exchange of fixed rate Canadian dollar interest payments for fixed rate U.S. dollar interest payments as well as exchange of Canadian dollar and U.S. dollar principal payments upon maturity. The swap arrangements mature between 2015 and 2018 at the same time as the related loans. As a result of the Canadian dollar denominated intercompany loans and the related cross-currency swaps, we do not believe there is any material translation risk to La Senza's net earnings associated with fluctuations in the U.S. dollar-Canadian dollar exchange rate.

In addition, our Canadian dollar denominated earnings are subject to U.S. dollar-Canadian dollar exchange rate risk as substantially all of our merchandise sold in Canada is sourced through U.S. dollar transactions.

#### *Interest Rate Risk*

Our investment portfolio primarily consists of interest-bearing instruments that are classified as cash and cash equivalents based on their original maturities. Our investment portfolio is maintained in accordance with our investment policy, which specifies permitted types of investments, specifies credit quality standards and maturity profiles and limits credit exposure to any single issuer. The primary objective of our investment activities are the preservation of principal, the maintenance of liquidity and the maximization of interest income while minimizing risk. Currently, our investment portfolio is comprised of U.S. and Canadian government obligations, U.S. Treasury and AAA-rated money market funds, bank time deposits, and highly-rated commercial paper. Given the short-term nature and quality of investments in our portfolio, we do not believe there is any material risk to principal associated with increases or decreases in interest rates.

All of our long-term debt as of January 30, 2010 has fixed interest rates with the exception of our Term Loan. Thus, our exposure to interest rate changes is limited to the fair value of the debt issued, which would not have a material impact on our earnings or cash flows. The Term Loan contains a variable interest rate that fluctuates based on changes in an underlying benchmark interest rate and changes in our credit rating. In January 2008, we executed a participating interest rate swap arrangement which limited our exposure to increases in the benchmark interest rate while allowing us to partially participate in any decreases in the benchmark interest rate. In March 2010, we prepaid the remaining $200 million of the Term Loan and terminated the remaining portion of the participating interest rate swap arrangement.

### Fair Value of Financial Instruments

As of January 30, 2010, management believes that the carrying values of cash and cash equivalents, receivables and payables approximate fair value because of the short maturity of these financial instruments.

The following table provides a summary of the carrying value and fair value of long-term debt and swap arrangements as of January 30, 2010 and January 31, 2009:

| | January 30, 2010 | January 31, 2009 |
|---|---|---|
| | (in millions) | |
| Long-term Debt: | | |
| Carrying Value | $2,725 | $2,897 |
| Fair Value, Estimated (a) | 2,690 | 2,113 |
| Aggregate Fair Value of Cross-currency Swap Arrangements (b) | 34 | (26) |
| Fair Value of Participating Interest Rate Swap Arrangement (b) | 10 | 30 |

(a) The estimated fair value of our publicly traded debt is based on quoted market prices. The estimated fair value of our Term Loan is equal to its carrying value. The estimates presented are not necessarily indicative of the amounts that we could realize in a current market exchange.

(b) Swap arrangements are in an (asset) liability position.

The increase in estimated fair value of our long-term debt from January 31, 2009 to January 30, 2010 reflects the decrease in volatility in the credit markets in comparison to 2008. The change in fair value of the cross-currency swap arrangements from January 31, 2009 to January 30, 2010 is primarily due to the fluctuations in the U.S. dollar-Canadian dollar exchange rate. The change in fair value of the participating interest rate swap arrangement from January 31, 2009 to January 30, 2010 is primarily due to the termination and settlement of portions of the participating interest rate swap arrangements in conjunction with prepayments of our Term Loan throughout 2009.

**Concentration of Credit Risk**

We maintain cash and cash equivalents with various major financial institutions, as well as corporate commercial paper. Currently, our investment portfolio is comprised of U.S. and Canadian government obligations, U.S. Treasury and AAA-rated money market funds, bank time deposits, and highly-rated commercial paper.

We monitor the relative credit standing of financial institutions and other entities with whom we transact and limit the amount of credit exposure with any one entity. We also monitor the creditworthiness of entities to which we grant credit terms in the normal course of business and counterparties to derivative instruments.

**Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995**

Limited Brands, Inc. 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 our company or our management involve risks and uncertainties and are subject to change based on various factors, many of which are beyond our control. Accordingly, our 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. Risks associated with the following factors, among others, in some cases have affected and in the future could affect our financial performance and actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements included in this report or otherwise made by our company or our management:

- general economic conditions, consumer confidence and consumer spending patterns;
- the global economic crisis and its impact on our suppliers, customers and other counterparties;
- the impact of the global economic crisis on our liquidity and capital resources;
- the dependence on a high volume of mall traffic and the possible lack of availability of suitable store locations on appropriate terms;
- the seasonality of our business;
- our ability to grow through new store openings and existing store remodels and expansions;
- our ability to expand into international markets;
- independent licensees;
- our direct channel business;
- our failure to protect our reputation and our brand images;
- our failure to protect our trade names, trademarks and patents;
- market disruptions including severe weather conditions, natural disasters, health hazards, terrorist activities, financial crises, political crises or other major events, or the prospect of these events;
- stock price volatility;
- our failure to maintain our credit rating;
- our ability to service our debt;
- the highly competitive nature of the retail industry generally and the segments in which we operate particularly;
- consumer acceptance of our products and our ability to keep up with fashion trends, develop new merchandise, launch new product lines successfully, offer products at the appropriate price points and enhance our brand image;
- our ability to retain key personnel;
- our ability to attract, develop and retain qualified employees and manage labor costs;
- our reliance on foreign sources of production, including risks related to:
  - political instability;
  - duties, taxes, other charges on imports;
  - legal and regulatory matters;
  - volatility in currency and exchange rates;

    - local business practices and political issues;
    - potential delays or disruptions in shipping and related pricing impacts;
    - the disruption of imports by labor disputes; and
    - changing expectations regarding product safety due to new legislation.
- the possible inability of our manufacturers to deliver products in a timely manner or meet quality standards;
- fluctuations in energy costs;
- increases in the costs of mailing, paper and printing;
- self-insured risks;
- our ability to implement and sustain information technology systems;
- our failure to comply with regulatory requirements;
- tax matters; and
- legal and compliance matters.

We are not under any obligation and do not intend to make publicly available any update or other revisions to any of the forward-looking statements contained in this report to reflect circumstances existing after the date of this report or to reflect the occurrence of future events even if experience or future events make it clear that any expected results expressed or implied by those forward-looking statements will not be realized.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

### LIMITED BRANDS, INC.
### INDEX TO CONSOLIDATED FINANCIAL STATEMENTS


| | Page No. |
|---|---|
| Management's Report on Internal Control Over Financial Reporting | 60 |
| Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting | 61 |
| Report of Independent Registered Public Accounting Firm on Consolidated Financial Statements | 62 |
| Consolidated Statements of Income for the Years Ended January 30, 2010, January 31, 2009 and February 2, 2008 | 63 |
| Consolidated Balance Sheets as of January 30, 2010 and January 31, 2009 | 64 |
| Consolidated Statements of Total Equity for the Years Ended January 30, 2010, January 31, 2009 and February 2, 2008 | 65 |
| Consolidated Statements of Cash Flows for the Years Ended January 30, 2010, January 31, 2009 and February 2, 2008 | 66 |
| Notes to Consolidated Financial Statements | 67 |


Our 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 2009, 2008 and 2007 represent the 52 week period ending January 30, 2010, January 31, 2009 and February 2, 2008, respectively.

**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 30, 2010. 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 30, 2010.

The Company's independent registered public accounting firm, Ernst & Young LLP, has issued an attestation report on the Company's internal control over financial reporting. Ernst & Young LLP's report appears on the following page and expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of January 30, 2010.

**Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting**

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

We have audited Limited Brands, Inc. and subsidiaries' internal control over financial reporting as of January 30, 2010, 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 included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on 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, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, 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, Limited Brands, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of January 30, 2010, 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. and subsidiaries as of January 30, 2010 and January 31, 2009, and the related Consolidated Statements of Income, Total Equity, and Cash Flows for each of the three years in the period ended January 30, 2010 of Limited Brands, Inc. and subsidiaries, and our report dated March 26, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Columbus, Ohio
March 26, 2010

**Report of Independent Registered Public Accounting Firm on Consolidated Financial Statements**

**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 30, 2010 and January 31, 2009, and the related Consolidated Statements of Income, Total Equity, and Cash Flows for each of the three years in the period ended January 30, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Limited Brands, Inc. and subsidiaries at January 30, 2010 and January 31, 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended January 30, 2010, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, in 2007 the Company adopted Financial Accounting Standards Board Accounting Standards Codification Topic 740, *Income Taxes*.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Limited Brands, Inc. and subsidiaries' internal control over financial reporting as of January 30, 2010, 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 26, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Columbus, Ohio
March 26, 2010

**LIMITED BRANDS, INC.**

**CONSOLIDATED STATEMENTS OF INCOME**

**(in millions except per share amounts)**

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| Net Sales | $ 8,632 | $ 9,043 | $10,134 |
| Costs of Goods Sold, Buying and Occupancy | (5,604) | (6,037) | (6,625) |
| Gross Profit | 3,028 | 3,006 | 3,509 |
| General, Administrative and Store Operating Expenses | (2,166) | (2,311) | (2,616) |
| Impairment of Goodwill and Other Intangible Assets | (3) | (215) | (13) |
| Gain on Divestiture of Express | — | — | 302 |
| Loss on Divestiture of Limited Stores | — | — | (72) |
| Net Gain on Joint Ventures | 9 | 109 | — |
| Operating Income | 868 | 589 | 1,110 |
| Interest Expense | (237) | (181) | (149) |
| Interest Income | 2 | 18 | 18 |
| Other Income | 17 | 23 | 128 |
| Income Before Income Taxes | 650 | 449 | 1,107 |
| Provision for Income Taxes | 202 | 233 | 411 |
| Net Income | 448 | 216 | 696 |
| Less: Net Income (Loss) Attributable to Noncontrolling Interest | — | (4 ) | (22 ) |
| Net Income Attributable to Limited Brands, Inc. | $ 448 | $ 220 | $ 718 |
| Net Income Attributable to Limited Brands, Inc. Per Basic Share | $ 1.39 | $ 0.66 | $ 1.91 |
| Net Income Attributable to Limited Brands, Inc. Per Diluted Share | $ 1.37 | $ 0.65 | $ 1.89 |

Form 10-K

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

**LIMITED BRANDS, INC.**

**CONSOLIDATED BALANCE SHEETS**

**(in millions except per share amounts)**

| | January 30, 2010 | January 31, 2009 |
|---|---|---|
| **ASSETS** | | |
| Current Assets: | | |
| Cash and Cash Equivalents | $1,804 | $ 1,173 |
| Accounts Receivable, Net | 219 | 236 |
| Inventories | 1,037 | 1,182 |
| Deferred Income Taxes | 30 | 77 |
| Other | 160 | 199 |
| Total Current Assets | 3,250 | 2,867 |
| Property and Equipment, Net | 1,723 | 1,929 |
| Goodwill | 1,442 | 1,426 |
| Trade Names and Other Intangible Assets, Net | 594 | 580 |
| Other Assets | 164 | 170 |
| Total Assets | $7,173 | $ 6,972 |
| **LIABILITIES AND EQUITY** | | |
| Current Liabilities: | | |
| Accounts Payable | $ 488 | $ 494 |
| Accrued Expenses and Other | 693 | 669 |
| Income Taxes | 141 | 92 |
| Total Current Liabilities | 1,322 | 1,255 |
| Deferred Income Taxes | 213 | 213 |
| Long-term Debt | 2,723 | 2,897 |
| Other Long-term Liabilities | 731 | 732 |
| Shareholders' Equity: | | |
| Preferred Stock—$1.00 par value; 10 shares authorized; none issued | — | — |
| Common Stock—$0.50 par value; 1,000 shares authorized; 323 and 524 shares issued; 323 and 321 shares outstanding, respectively | 161 | 262 |
| Paid-in Capital | — | 1,544 |
| Accumulated Other Comprehensive Income (Loss) | (15) | (28) |
| Retained Earnings | 2,037 | 4,777 |
| Less: Treasury Stock, at Average Cost; 0 shares in 2009 and 203 shares in 2008 | — | (4,681) |
| Total Limited Brands, Inc. Shareholders' Equity | 2,183 | 1,874 |
| Noncontrolling Interest | 1 | 1 |
| Total Equity | 2,184 | 1,875 |
| Total Liabilities and Equity | $7,173 | $ 6,972 |

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

**LIMITED BRANDS, INC.**

**CONSOLIDATED STATEMENTS OF TOTAL EQUITY**

**(in millions except per share amounts)**

| | Common Stock Shares Outstanding | Common Stock Par Value | Paid-In Capital | Accumulated Other Comprehensive Income (Loss) | Retained Earnings | Treasury Stock, at Average Cost | Noncontrolling Interest | Total Equity |
|---|---|---|---|---|---|---|---|---|
| **Balance, February 3, 2007** | 398 | $ 262 | $ 1,565 | $(17) | $ 4,277 | $(3,132) | $ 71 | $ 3,026 |
| Capital Contributions from Noncontrolling Interest and Other | — | — | — | — | — | — | 6 | 6 |
| Adoption of Financial Accounting Standards Board Accounting Standards Codification Subtopic 740, *Income Taxes* | — | — | — | — | (10) | — | — | (10) |
| Comprehensive Income (Loss): | | | | | | | | |
| Net Income (Loss) | — | — | — | — | 718 | — | (22) | 696 |
| Foreign Currency Translation | — | — | — | 37 | — | — | — | 37 |
| Unrealized Loss on Cash Flow Hedges | — | — | — | (64) | — | — | — | (64) |
| Reclassification of Cash Flow Hedges to Earnings | — | — | — | 75 | — | — | — | 75 |
| Total Comprehensive Income (Loss) | — | — | — | 48 | 718 | — | (22) | 744 |
| Cash Dividends ($0.60 per share) | — | — | — | — | (227) | — | — | (227) |
| Repurchase of Common Stock | (59) | — | — | — | — | (1,410) | — | (1,410) |
| Exercise of Stock Options and Other | 7 | — | (15) | — | — | 160 | — | 145 |
| **Balance, February 2, 2008** | 346 | $ 262 | $ 1,550 | $ 31 | $ 4,758 | $(4,382) | $ 55 | $ 2,274 |
| Capital Contributions from Noncontrolling Interest and Other | — | — | — | — | — | — | 4 | 4 |
| Divestiture of Personal Care Business | — | — | — | — | — | — | (54) | (54) |
| Comprehensive Income (Loss): | | | | | | | | |
| Net Income (Loss) | — | — | — | — | 220 | — | (4) | 216 |
| Foreign Currency Translation | — | — | — | (34) | — | — | — | (34) |
| Unrealized Gain on Cash Flow Hedges | — | — | — | 65 | — | — | — | 65 |
| Reclassification of Cash Flow Hedges to Earnings | — | — | — | (90) | — | — | — | (90) |
| Total Comprehensive Income (Loss) | — | — | — | (59) | 220 | — | (4) | 157 |
| Cash Dividends ($0.60 per share) | — | — | — | — | (201) | — | — | (201) |
| Repurchase of Common Stock | (28) | — | — | — | — | (371) | — | (371) |
| Exercise of Stock Options and Other | 3 | — | (6) | — | — | 72 | — | 66 |
| **Balance, January 31, 2009** | 321 | $ 262 | $ 1,544 | $(28) | $ 4,777 | $(4,681) | $ 1 | $ 1,875 |
| Comprehensive Income (Loss): | | | | | | | | |
| Net Income (Loss) | — | — | — | — | 448 | — | — | 448 |
| Foreign Currency Translation | — | — | — | (2) | — | — | — | (2) |
| Unrealized Loss on Cash Flow Hedges | — | — | — | (56) | — | — | — | (56) |
| Reclassification of Cash Flow Hedges to Earnings | — | — | — | 71 | — | — | — | 71 |
| Total Comprehensive Income (Loss) | — | — | — | 13 | 448 | — | — | 461 |
| Cash Dividends ($0.60 per share) | — | — | — | — | (193) | — | — | (193) |
| Treasury Share Retirement | — | (101) | (1,545) | — | (2,995) | 4,641 | — | — |
| Exercise of Stock Options and Other | 2 | — | 1 | — | — | 40 | — | 41 |
| **Balance, January 30, 2010** | 323 | $ 161 | $ — | $(15) | $ 2,037 | $ — | $ 1 | $ 2,184 |

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

**LIMITED BRANDS, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(in millions)**

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| **Operating Activities** | | | |
| Net Income | $ 448 | $ 216 | $ 696 |
| Adjustments to Reconcile Net Income to Net Cash Provided by (Used for) Operating Activities: | | | |
| Depreciation and Amortization of Long-lived Assets | 393 | 377 | 385 |
| Amortization of Landlord Allowances | (36) | (34) | (33) |
| Goodwill and Intangible Asset Impairment Charges | 3 | 215 | 13 |
| Deferred Income Taxes | 49 | 46 | (5) |
| Excess Tax Benefits From Share-based Compensation | — | (2) | (28) |
| Share-based Compensation Expense | 40 | 35 | 44 |
| Net Gain on Joint Ventures | (9) | (109) | — |
| Gain on Distribution from Express | — | (13) | — |
| Gain on Divestiture of Express | — | — | (302) |
| Loss on Divestiture of Limited Stores | — | — | 72 |
| Gain on Distribution from Easton Town Center, LLC | — | — | (100) |
| Gains on Sales of Assets | — | — | (37) |
| Changes in Assets and Liabilities, Net of Assets and Liabilities from Acquisitions: | | | |
| Accounts Receivable | 22 | 103 | (192) |
| Inventories | 156 | 45 | 337 |
| Accounts Payable, Accrued Expenses and Other | 17 | (39) | (152) |
| Income Taxes Payable | 44 | (39) | (31) |
| Other Assets and Liabilities | 47 | 153 | 98 |
| Net Cash Provided by Operating Activities | 1,174 | 954 | 765 |
| **Investing Activities** | | | |
| Capital Expenditures | (202) | (479) | (749) |
| Net Proceeds from the Divestiture of Joint Venture | 9 | 159 | — |
| Return of Capital from Express | — | 95 | — |
| Proceeds from the Divestiture of Express, Net | — | — | 547 |
| Proceeds from the Distribution from Easton Town Center, LLC | — | — | 102 |
| Proceeds from Sale of Assets | 32 | — | 97 |
| Other Investing Activities | (1) | (15) | 33 |
| Net Cash (Used for) Provided by Investing Activities | (162) | (240) | 30 |
| **Financing Activities** | | | |
| Proceeds from Long-term Debt, Net of Issuance and Discount Costs | 473 | — | 1,247 |
| Payments of Long-term Debt | (656) | (15) | (7) |
| Financing Costs Related to the Amendment of 5-Year Facility and Term Loan | (19) | — | — |
| Repurchase of Common Stock | — | (379) | (1,402) |
| Dividends Paid | (193) | (201) | (227) |
| Excess Tax Benefits from Share-based Compensation | — | 2 | 28 |
| Proceeds From Exercise of Stock Options and Other | 8 | 31 | 82 |
| Net Cash Used for Financing Activities | (387) | (562) | (279) |
| Effects of Exchange Rate Changes on Cash | 6 | 3 | 2 |
| Net Increase in Cash and Cash Equivalents | 631 | 155 | 518 |
| Cash and Cash Equivalents, Beginning of Year | 1,173 | 1,018 | 500 |
| Cash and Cash Equivalents, End of Year | $1,804 | $1,173 | $ 1,018 |

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

## LIMITED BRANDS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. Description of Business and Summary of Significant Accounting Policies

#### Description of Business

Limited Brands, Inc. (the Company) operates in the highly competitive specialty retail business. The Company is a retailer of women's intimate and other apparel, beauty and personal care products and accessories. The Company sells its merchandise through specialty retail stores in the United States and Canada, which are primarily mall-based, and through its websites, catalogue and other channels. The Company currently operates the following retail brands:

- Victoria's Secret
- Pink
- La Senza
- Bath & Body Works
- C. O. Bigelow
- The White Barn Candle Company
- Henri Bendel

#### Fiscal Year

The Company's fiscal year ends on the Saturday nearest to January 31. As used herein, "2009", "2008" and "2007" refer to the 52-week periods ending January 30, 2010, January 31, 2009 and February 2, 2008, respectively.

#### Basis of Consolidation

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 Express and Limited Stores through their divestiture dates which were July 6, 2007 and August 3, 2007, respectively.

The Company's Consolidated Financial Statements also include less than 100% owned variable interest entities in which the Company is designated as the primary beneficiary.

The Company accounts for investments in unconsolidated entities where it exercises significant influence, but does not have control, using the equity method. Under the equity method of accounting, the Company recognizes its share of the investee net income or loss. Losses are only recognized to the extent the Company has positive carrying value related to the investee. Carrying values are only reduced below zero if the Company has an obligation to provide funding to the investee. The Company's share of net income or loss of unconsolidated entities from which the Company purchases merchandise or merchandise components is included in Cost of Goods Sold, Buying and Occupancy on the Consolidated Statements of Income. The Company's share of net income or loss of all other unconsolidated entities is included in Other Income (Expense) on the Consolidated Statements of Income. The Company's equity investments are required to be tested for impairment when it is determined there may be an other than temporary loss in value.

Subsequent to the divestitures of Express and Limited Stores, the Company's remaining 25% ownership interest in each is accounted for under the equity method of accounting. The Company eliminates in consolidation 25% of merchandise sourcing sales to Express and Limited Stores consistent with the Company's ownership percentage.

### Cash and Cash Equivalents

Cash and Cash Equivalents include cash on hand, demand deposits with financial institutions and highly liquid investments with original maturities of less than 90 days. The Company's outstanding checks, which amounted to $76 million as of January 30, 2010 and $86 million as of January 31, 2009, are included in Accounts Payable on the Consolidated Balance Sheets.

### Concentration of Credit Risk

The Company maintains cash and cash equivalents with various major financial institutions, as well as corporate commercial paper. Currently, the Company's investment portfolio is comprised of U.S. and Canadian government obligations, U.S. Treasury and AAA-rated money market funds, bank time deposits, and highly-rated commercial paper.

The Company monitors the relative credit standing of financial institutions and other entities with whom the Company transacts and limits the amount of credit exposure with any one entity. The Company also monitors the creditworthiness of entities to which the Company grants credit terms in the normal course of business and counterparties to derivative instruments.

### Inventories

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

The Company records valuation adjustments to its inventories if the cost of specific inventory items on hand exceeds the amount it expects to realize from the ultimate sale or disposal of the inventory. These estimates are based on management's judgment regarding future demand and market conditions and analysis of historical experience.

The Company also records inventory loss adjustments for estimated physical inventory losses that have occurred since the date of the last physical inventory. These estimates are based on management's analysis of historical results and operating trends.

### Catalogue and Advertising Costs

The Company capitalizes the direct costs of producing and distributing its catalogues and amortizes the costs over the expected future revenue stream, which is generally over a three month period from the date the catalogues are mailed.

The Company's capitalized direct response advertising costs amounted to $19 million and $27 million as of January 30, 2010 and January 31, 2009, respectively, and are included in Other Current Assets on the Consolidated Balance Sheets. 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 $459 million for 2009, $502 million for 2008 and $507 million for 2007.

### Property and Equipment

The Company's property and equipment are recorded at cost and depreciation/amortization is computed on a straight-line basis using the following depreciable life ranges:

| Category of Property and Equipment | Depreciable Life Range |
|---|---|
| Software, including software developed for internal use | 3 - 7 years |
| Store related assets | 3 - 10 years |
| Leasehold improvements | Shorter of lease term or 10 years |
| Non-store related building and site improvements | 10 - 15 years |
| Other property and equipment | 20 years |
| Buildings | 30 years |

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 Company's 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 useful lives are capitalized.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the estimated undiscounted future cash flows related to the asset are less than the carrying value, the Company recognizes a loss equal to the difference between the carrying value and the estimated fair value, usually determined by the estimated discounted future cash flows of the asset. The Company estimates the fair value of property and equipment in accordance with the provisions of ASC Subtopic 820, *Fair Value Measurements and Disclosures.*

**Goodwill and Intangible Assets**

The Company has certain intangible assets resulting from business combinations that are recorded at cost. Intangible assets with finite lives are amortized primarily on a straight-line basis over their respective estimated useful lives ranging from 3 to 20 years.

Intangible assets with finite lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the estimated undiscounted future cash flows related to the asset are less than the carrying value, the Company recognizes a loss equal to the difference between the carrying value and the estimated fair value, usually determined by the estimated discounted future cash flows of the asset.

Goodwill represents the excess of the purchase price over the estimated fair value of the net assets acquired. Goodwill is not subject to periodic amortization. Goodwill is reviewed for impairment each year in the fourth quarter and may be reviewed more frequently if certain events occur or circumstances change. The impairment review is performed by comparing each reporting unit's carrying value to its estimated fair value, determined through either estimated discounted future cash flows or market-based methodologies. If the carrying value exceeds the estimated fair value, the Company determines the fair value of all assets and liabilities of the reporting unit, including the implied fair value of goodwill. If the carrying value of goodwill exceeds the implied fair value, the Company recognizes an impairment charge equal to the difference.

Intangible assets with indefinite lives are reviewed for impairment each year in the fourth quarter and may be reviewed more frequently if certain events occur or circumstances change. The impairment review is performed by comparing the carrying value to the estimated fair value, usually determined by the estimated discounted future cash flows of the asset.

The Company estimates the fair value of goodwill and intangible assets in accordance with the provisions of ASC Subtopic 820, *Fair Value Measurements and Disclosures.* If future economic conditions are different than those projected by management, future impairment charges may be required.

**Leases and Leasehold Improvements**

The Company has leases that contain predetermined fixed escalations of 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 commencing upon store possession date. The Company records the difference between the recognized rental expense and amounts payable under the leases as deferred lease credits. The Company's liability for predetermined fixed escalations of minimum rentals and/or rent abatements amounted to $97 million as of January 30, 2010 and $90 million as of January 31, 2009. These liabilities are included in Other Long-term Liabilities on the Consolidated Balance Sheets.

The Company receives allowances from landlords related to its retail stores. These allowances are generally comprised of cash amounts received by the Company from its landlords as part of the negotiated lease terms. The Company records a receivable and a landlord allowance at the lease commencement date (date of initial possession of the store). The deferred lease credit is amortized on a straight-line basis as a reduction of rent expense over the term of the lease (including the pre-opening build-out period) and the receivable is reduced as amounts are received from the landlord. The Company's unamortized portion of landlord allowances, which amounted to $210 million as of January 30, 2010 and $224 million as of January 31, 2009, is included in Other Long-term Liabilities on the Consolidated Balance Sheets.

The Company also has leasehold improvements which are amortized over the shorter of their estimated useful lives or the period from the date the assets are placed in service to the end of the initial lease term. Leasehold improvements made after the inception of the initial lease term are depreciated over the shorter of their estimated useful lives or the remaining lease term, including renewal periods, if reasonably assured.

**Foreign Currency Translation**

The functional currency of the Company's foreign operations is generally the applicable local currency. Assets and liabilities are translated into U.S. dollars using the current exchange rates in effect as of the balance sheet date, while revenues and expenses are translated at the average exchange rates for the period. The Company's resulting translation adjustments are recorded as a component of Accumulated Other Comprehensive Income (Loss) within the Consolidated Statements of Total Equity.

**Derivative Financial Instruments**

The Company uses derivative instruments designated as cash flow hedges and non-designated derivative instruments to manage exposure to foreign currency exchange rates and interest rates. The Company does not use derivative financial instruments for trading purposes. All derivative financial instruments are recorded on the Consolidated Balance Sheets at fair value. For additional information, see Note 14, "Fair Value Measurements."

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income and reclassified into earnings in the same period during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings.

For derivative instruments that are not designated as hedging instruments, the gain or loss on the derivative instrument is recognized in current earnings.

**Fair Value of Financial Instruments**

The authoritative guidance included in ASC Subtopic 820, *Fair Value Measurements and Disclosure,* defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. This authoritative guidance further establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1—Quoted market prices in active markets for identical assets or liabilities.
- Level 2—Observable inputs other than quoted market prices included in Level 1, such as quoted prices of similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

**Income Taxes**

The Company accounts for income taxes under the asset and liability method. Under this method, the amount of taxes currently payable or refundable are accrued and deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets are also recognized for realizable operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted income tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in income tax rates is recognized in the Company's Consolidated Statement of Income in the period that includes the enactment date. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets if it is more likely than not that such assets will not be realized.

In determining the Company's provision for income taxes, it uses an annual effective income tax rate based on annual income, permanent differences between book and tax income and statutory income tax rates. The Company adjusts the annual effective income tax rate as additional information on outcomes or events becomes available. The Company's effective income tax rate is affected by items including changes in tax law, the tax jurisdiction of new stores or business ventures and the level of earnings.

The Company follows the authoritative guidance included in ASC Subtopic 740, *Income Taxes*, which contains a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. The Company considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments and which may not accurately forecast actual outcomes.

The Company's income tax returns, like those of most companies, are periodically audited by domestic and foreign tax authorities. These audits include questions regarding the Company's tax filing positions, including the timing and amount of deductions and the allocation of income among various tax jurisdictions. At any one time, multiple tax years are subject to audit by the various tax authorities. The Company records an accrual for more likely than not exposures after evaluating the positions associated with its various income tax filings. A number of years may elapse before a particular matter for which the Company has established an accrual is audited and fully resolved or clarified. The Company adjusts its tax contingencies accrual and income tax provision in the period in which matters are effectively settled with tax authorities at amounts different from its established accrual, when the statute of limitations expires for the relevant taxing authority to examine the tax position or when more information becomes available. The Company includes its tax contingencies accrual, including accrued penalties and interest, in Other Long-term Liabilities on the Consolidated Balance Sheets unless the liability is expected to be paid within one year. Changes to the tax contingencies accrual, including accrued penalties and interest, are included in Provision for Income Taxes on the Consolidated Statements of Income.

**Self Insurance**

The Company is self-insured for medical, workers' compensation, property, general liability and automobile liability 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.

**Noncontrolling Interest**

Noncontrolling interest represents the portion of equity interests of consolidated affiliates not owned by the Company.

**Share-based Compensation**

The Company accounts for share-based employee compensation in accordance with authoritative guidance included in ASC Subtopic 718, *Compensation—Stock Compensation*, which requires all share-based payments to employees and directors to be recognized in the financial statements as compensation cost over the service period based on their estimated fair value on the date of grant.

Compensation cost is recognized over the service period on a straight-line basis for the fair value of awards that actually vest. Compensation expense for stock options is recognized, net of forfeitures, using a single option approach (each option is valued as one grant, irrespective of the number of vesting tranches). Compensation cost for restricted stock is recognized, net of forfeitures, on a straight-line basis over the requisite service period.

During 2007, 2008 and 2009, the Company followed a policy of issuing treasury shares to satisfy award exercises or conversions.

**Revenue Recognition**

The Company recognizes sales upon customer receipt of the merchandise, which for direct response revenues reflects an estimate of shipments that have not yet been received by the customer based on shipping terms and estimated delivery times. The Company's shipping and handling revenues are included in Net Sales with the related costs included in Costs of Goods Sold, Buying and Occupancy on the Consolidated Statements of Income. The Company also provides a reserve for projected merchandise returns based on prior experience. Net Sales exclude sales tax collected from customers.

The Company's brands sell gift cards with no expiration dates to customers. The Company does not charge administrative fees on unused gift cards. The Company recognizes income from gift cards when they are redeemed by the customer. In addition, the Company recognizes income on unredeemed gift cards when it can determine that the likelihood of the gift card being redeemed is remote and that there is no legal obligation to remit the unredeemed gift cards to relevant jurisdictions (gift card breakage). The Company determines the gift card breakage rate based on historical redemption patterns. The Company accumulated enough historical data to determine the gift card breakage rate at Bath & Body Works during the fourth quarter of 2005 and Victoria's Secret during the fourth quarter of 2007. Gift card breakage is included in Net Sales in the Consolidated Statements of Income.

During the fourth quarter of 2007, the Company recognized $48 million in pre-tax income related to the initial recognition of gift card breakage at Victoria's Secret.

Additionally, the Company recognizes revenue associated with merchandise sourcing services provided to third parties, consisting of former subsidiaries as well as other third parties. Revenue is recognized at the time the title passes to the customer.

**Costs of Goods Sold, Buying and Occupancy**

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

### General, Administrative and Store Operating Expenses

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

### 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, as well as the related disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from those estimates and the Company revises its estimates and assumptions as new information becomes available.

## 2. New Accounting Pronouncements and Changes in Accounting Principle

***New Accounting Pronouncements***

*Accounting Standards Codification ("Codification") and the Hierarchy of Generally Accepted Accounting Principles ("GAAP")*

In June 2009, the Financial Accounting Standards Board ("FASB") issued ASC Subtopic 105, *Generally Accepted Accounting Principles*, which reorganizes the thousands of U.S. GAAP pronouncements into roughly 90 accounting topics and displays all topics using a consistent structure. It also includes relevant Securities and Exchange Commission ("SEC") guidance that follows the same topical structure in separate sections in the Codification. In the third quarter of 2009, the Company changed its historical U.S. GAAP references to comply with the Codification. The adoption of this guidance did not impact the Company's results of operations, financial condition or liquidity since the Codification is not intended to change or alter existing U.S. GAAP.

*Subsequent Events*

In May 2009, the FASB issued authoritative guidance included in ASC Subtopic 855, *Subsequent Events,* which incorporates guidance on subsequent events into authoritative accounting literature and clarifies the time following the balance sheet date that must be considered for subsequent events disclosures in the financial statements. In the second quarter of 2009, the Company adopted this guidance which requires disclosure of the date through which subsequent events have been reviewed. This guidance did not change the Company's procedures for reviewing subsequent events. In February 2010, the FASB issued Accounting Standards Update ("ASU") 2010-09 to amend ASC Subtopic 855, *Subsequent Events*, to not require disclosure of the date through which management evaluated subsequent events in the financial statements for either originally issued financial statements or reissued financial statements.

*Derivative Instruments and Hedging Activities*

In March 2008, the FASB issued authoritative guidance included in ASC Subtopic 815, *Derivatives and Hedging*, which requires disclosures about the fair value of derivative instruments and their gains or losses in tabular format as well as disclosures regarding credit-risk-related contingent features in derivative agreements, counterparty credit risk and strategies and objectives for using derivative instruments. This guidance amends and expands previously released authoritative guidance and became effective prospectively beginning in 2009. In the first quarter of 2009, the Company adopted this guidance. For additional information, see Note 13, "Derivative Instruments."

*Consolidation*

In December 2007, the FASB issued authoritative guidance included in ASC Subtopic 810, *Consolidation*, which modifies reporting for noncontrolling interest (minority interest) in consolidated financial statements. This guidance requires noncontrolling interest to be reported in equity and establishes a new framework for recognizing net income or loss and comprehensive income or loss by the controlling interest. This guidance further requires specific disclosures regarding changes in equity interest of both the controlling and noncontrolling parties and presentation of the noncontrolling equity balance and income or loss for all periods presented. This guidance became effective for interim and annual periods in fiscal years beginning after December 15, 2008. This guidance is applied prospectively upon adoption, however the presentation and disclosure requirements are applied retrospectively. In the first quarter of 2009, the Company adopted this guidance recharacterizing minority interest as a noncontrolling interest and classifying it as a component of equity in its consolidated financial statements. On June 15, 2009, the Company filed a Current Report on Form 8-K to reflect the retrospective application to the Company's Annual Report on Form 10-K for the year ended January 31, 2009.

*Fair Value Measurements*

In September 2006, the FASB issued authoritative guidance included in ASC Subtopic 820, *Fair Value Measurements and Disclosures*, which provides guidance for fair value measurement of assets and liabilities and instruments measured at fair value that are classified in shareholders' equity. This guidance defines fair value, establishes a fair value measurement framework and expands fair value disclosures. It emphasizes that fair value is market-based with the highest measurement hierarchy level being market prices in active markets. This guidance requires fair value measurements be disclosed by hierarchy level, an entity to include its own credit standing in the measurement of its liabilities and modifies the transaction price presumption.

In February 2008, the FASB delayed the effective date for this guidance to fiscal years beginning after November 15, 2008 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually).

Accordingly, as of February 3, 2008, the Company adopted the authoritative guidance for financial assets and liabilities only on a prospective basis. As of February 1, 2009, the Company adopted the remaining provisions. The adoption of this guidance did not have a significant impact on the Company's results of operations, financial condition or liquidity. For additional information, see Note 14, "Fair Value Measurements."

In January 2010, the FASB issued Accounting Standard Update 2010-06, which amends ASC Subtopic 820, *Fair Value Measurement and Disclosures*. This guidance requires new disclosures and provides amendments to clarify existing disclosures. The new requirements include disclosing transfers in and out of Levels 1 and 2 fair value measurements and the reasons for the transfers and further disaggregating activity in Level 3 fair value measurements. The clarification of existing disclosure guidance includes further disaggregation of fair value measurement disclosures for each class of assets and liabilities and providing disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. This guidance is effective for interim and annual reporting periods beginning after December 15, 2009, except for the new disclosures regarding the activity in Level 3 measurements, which will be effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The Company will adopt this guidance for the fiscal period beginning January 31, 2010, except for the new disclosure regarding the activity in Level 3 measurements, which the Company will adopt for the fiscal period beginning January 30, 2011.

***Changes in Accounting Principle***

*Income Taxes*

Effective February 4, 2007, the Company adopted authoritative guidance included in ASC Subtopic 740, *Income Taxes*. Upon adoption, the Company recognized an additional $10 million liability for unrecognized tax benefits, which was accounted for as a reduction to the Company's opening balance of retained earnings on February 4, 2007. For additional information, see Note 11, "Income Taxes."

### 3. Earnings Per Share

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

The following table provides shares utilized for the calculation of basic and diluted earnings per share for 2009, 2008 and 2007:

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| | (in millions) | | |
| Weighted-average Common Shares: | | | |
| Issued Shares | 524 | 524 | 524 |
| Treasury Shares | (202) | (189) | (149) |
| **Basic Shares** | 322 | 335 | 375 |
| Effect of Dilutive Options and Restricted Stock | 5 | 2 | 5 |
| **Diluted Shares** | 327 | 337 | 380 |
| Anti-dilutive Options (a) | 12 | 15 | 9 |

(a) These options were excluded from the calculation of diluted earnings per share because their inclusion would have been anti-dilutive.

### 4. Divestitures

*Joint Venture*

In April 2008, the Company and its investment partner completed the divestiture of a joint venture, which the Company consolidated, to a third-party. The Company recognized a pre-tax gain of $128 million and received pre-tax proceeds of $168 million on the divestiture. The pre-tax gain is included in Net Gain on Joint Ventures on the 2008 Consolidated Statement of Income. Total proceeds included $24 million, which was to be held in escrow until September 2009 to cover any post-closing contingencies. In December 2008, $15 million of $24 million in funds held in escrow were distributed to the Company. In September 2009, the remaining $9 million in funds held in escrow were distributed to the Company.

*Express*

On July 6, 2007, the Company completed the divestiture of 75% of its ownership interest in Express to affiliates of Golden Gate Capital for pre-tax net cash proceeds of $547 million. The Company recorded a pre-tax gain on the divestiture of $302 million. For additional information, see Note 9, "Equity Investments and Other."

*Limited Stores*

On August 3, 2007, the Company completed the divestiture of 75% of its ownership interest in Limited Stores to affiliates of Sun Capital. As part of the agreement, Sun Capital contributed $50 million of equity capital into the business and arranged a $75 million credit facility. The Company recorded a pre-tax loss on the divestiture of $72 million. For additional information, see Note 9, "Equity Investments and Other."

## 5. Restructuring Activities

***2008***

During the fourth quarter of 2008, the Company initiated a restructuring program designed to resize the Company's corporate infrastructure and to adjust for the impact of the current retail environment. This program resulted in the elimination of approximately 400 positions (or 10%) of the Company's corporate and home office headcount. The Company recognized a pre-tax charge consisting of severance and related costs of $23 million for the fiscal year ended January 31, 2009. These costs are included in General, Administrative and Store Operating Expenses on the 2008 Consolidated Statement of Income. The Company made cash payments of $15 million in 2009 related to this restructuring program. In addition, the liability was further reduced by $2 million in 2009 related to changes in estimates. The remaining balance of $6 million is included in Accrued Expenses and Other on the Consolidated Balance Sheet as of January 30, 2010.

***2007***

In 2007, the Company completed a restructuring program designed to resize the Company's corporate infrastructure and to adjust for the impact of the Apparel divestitures. This program resulted in the elimination of approximately 500 positions (or 10%) of the Company's corporate and home office headcount through position eliminations and transfers to Express and Limited Stores. The Company recognized pre-tax charges consisting primarily of severance and related costs of $34 million for the fiscal year ended February 2, 2008. These costs are included in General, Administrative and Store Operating Expenses on the 2007 Consolidated Statement of Income. The Company also recognized $25 million in gains related to the sale of corporate aircraft. These gains are included in General, Administrative and Store Operating Expenses on the 2007 Consolidated Statement of Income.

## 6. Inventories

The following table provides inventories as of January 30, 2010 and January 31, 2009:

| | January 30, 2010 | January 31, 2009 |
|---|---|---|
| | (in millions) | |
| Finished Goods Merchandise | $ 973 | $1,101 |
| Raw Materials and Merchandise Components | 64 | 81 |
| **Total Inventories** | $1,037 | $1,182 |

During the second quarter of 2007, the Company recognized a pre-tax charge of $19 million related to excess raw material and component inventory at Bath & Body Works. This cost was included in Cost of Goods Sold, Buying and Occupancy on the 2007 Consolidated Statement of Income.

## 7. Property and Equipment, Net

The following table provides property and equipment, net as of January 30, 2010 and January 31, 2009:

| | January 30, 2010 | January 31, 2009 |
|---|---|---|
| | (in millions) | |
| Land | $ 60 | $ 60 |
| Buildings and Improvements | 390 | 392 |
| Furniture, Fixtures, Software and Equipment | 2,429 | 2,375 |
| Leaseholds and Improvements | 1,151 | 1,085 |
| Construction in Progress | 28 | 119 |
| **Total** | 4,058 | 4,031 |
| Accumulated Depreciation and Amortization | (2,335) | (2,102) |
| **Property and Equipment, Net** | $ 1,723 | $ 1,929 |

Depreciation expense was $387 million in 2009 and $371 million in both 2008 and 2007.

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

### *Goodwill*

The following table provides the rollforward of goodwill for the fiscal years ended January 30, 2010 and January 31, 2009:

| | Victoria's Secret | Bath & Body Works | Other | Total |
|---|---|---|---|---|
| | | (in millions) | | |
| **Balance as of February 2, 2008** | $1,057 | $628 | $ 48 | $1,733 |
| Divestiture | — | — | (48) | (48) |
| Impairment | (189) | — | — | (189) |
| Foreign Currency Translation | (70) | — | — | (70) |
| **Balance as of January 31, 2009** | 798 | 628 | — | 1,426 |
| Foreign Currency Translation | 16 | — | — | 16 |
| **Balance as of January 30, 2010** | $ 814 | $628 | $ — | $1,442 |

### *Intangible Assets—Indefinite Lives*

Intangible assets with indefinite lives represent the Victoria's Secret, Bath & Body Works and La Senza trade names. These assets totaled $566 million as of January 30, 2010 and $548 million as of January 31, 2009 and are included in Trade Names and Other Intangible Assets, Net on the Consolidated Balance Sheets.

### *Intangible Assets—Finite Lives*

The following table provides intangible assets with finite lives as of January 30, 2010 and January 31, 2009:

| | January 30, 2010 | January 31, 2009 |
|---|---|---|
| | (in millions) | |
| Intellectual Property | $ 41 | $ 41 |
| Trademarks/Brands | 19 | 19 |
| Licensing Agreements and Customer Relationships | 23 | 21 |
| Favorable Operating Leases | 19 | 18 |
| **Total** | 102 | 99 |
| Accumulated Amortization | (74) | (67) |
| **Intangible Assets, Net** | $ 28 | $ 32 |

Amortization expense was $6 million for 2009 and 2008 and $14 million for 2007. Estimated future annual amortization expense will be approximately $7 million in each of 2010 and 2011, $5 million in 2012, $4 million in 2013 and $5 million thereafter.

### *Impairment Charges*

*La Senza*

In conjunction with the January 2007 acquisition of La Senza, the Company recorded $313 million in goodwill, $170 million in intangible assets with indefinite lives and $26 million in intangible assets with finite lives. These assets are included in the La Senza reporting unit which is part of the Victoria's Secret reportable segment.

*2008*

In the fourth quarter of 2008, the Company completed its annual impairment testing. During the latter half of 2008, La Senza's operating results were negatively impacted by the global economic downturn and the resulting impact on the Canadian retail environment. As part of the annual impairment evaluation, the Company assessed the recoverability of goodwill using a discounted cash flow methodology. The Company concluded that the carrying value of the La Senza goodwill exceeded the implied fair value based on the estimated fair value of the La Senza reporting unit. Accordingly, the Company recorded a goodwill impairment charge of $189 million. The goodwill impairment charge is included in Impairment of Goodwill and Other Intangible Assets on the 2008 Consolidated Statement of Income.

Prior to completing the goodwill impairment evaluation, the Company performed its annual impairment analysis for indefinite-lived trade names. Based on its evaluation using a relief from royalty methodology, the Company concluded that certain La Senza trade name assets were impaired. Accordingly, the Company recorded an impairment charge of $25 million to reduce the carrying value of these assets to their estimated fair values. The Company also recognized a $1 million impairment charge related to a finite lived trade name asset. These impairment charges are included in Impairment of Goodwill and Other Intangible Assets on the 2008 Consolidated Statement of Income.

*2009*

In the fourth quarter of 2009, the Company made the decision to exit the La Senza Girl business and recorded an impairment charge of $3 million to write-off the La Senza Girl trade name and other minor trade names. This impairment charge is included in Impairment of Goodwill and Other Intangible Assets on the 2009 Consolidated Statement of Income.

*Personal Care Joint Venture*

In February 2007, the Company acquired a personal care products business along with an investment partner. Net assets of the acquired business consisted primarily of goodwill. During the second quarter of 2007, the Company and its investment partner made a decision to close the operations of the acquired business. Based on this decision, the Company completed a valuation of the acquired business trade name, which the Company continues to use. Based on the Company's evaluation, $12 million of the $25 million purchase price was allocated to the trade name. The remaining $13 million was recognized as an impairment charge in the second quarter of 2007. The Company recognized the investment partner's portion of the impairment charge of $6 million in Noncontrolling Interest on the 2007 Consolidated Statement of Income.

## 9. Equity Investments and Other

***Express***

In July 2007, the Company completed the divestiture of 75% of its ownership interest in Express. In conjunction with the transaction, the Company and Express entered into transition services agreements whereby the Company provides support to Express in various operational areas including logistics, technology and merchandise sourcing. The terms of these transition services arrangements varied and ranged from 3 months to 3 years.

In October 2009, the Company entered into new agreements with Express whereby the Company will continue to provide logistics services and lease office space. These agreements are effective beginning in February 2010 and extend through April 2016 with certain renewal options. The Company also continues to provide sourcing services to Express.

The Company recognized merchandise sourcing revenue from Express of $344 million in 2009, $435 million in 2008 and $353 million in 2007. These amounts are net of the elimination of 25% of the gross merchandise sourcing revenue consistent with the Company's ownership percentage. The Company's accounts receivable from Express for merchandise sourcing and other services provided in accordance with the terms and conditions of the transition services agreements totaled $80 million as of January 30, 2010, $92 million as of January 31, 2009 and $151 million as of February 2, 2008.

In March 2008, Express distributed cash to its owners and the Company received $41 million. The Company's portion representing a return of capital is $28 million and is included in Return of Capital from Express within the Investing Activities section of the 2008 Consolidated Statement of Cash Flows. The remaining $13 million is considered a return on capital and is included in Other Assets and Liabilities within the Operating Activities section of the 2008 Consolidated Statement of Cash Flows.

In July 2008, Express distributed additional cash to its owners and the Company received $71 million. The Company's portion representing a return of capital is $67 million with the remaining $4 million representing a return on capital. The proceeds received from the cash distribution were in excess of the Company's carrying value of the investment in Express. As a result, the carrying value was reduced to zero as of the date of the cash distribution and a pre-tax gain of approximately $13 million was recorded. The gain is included in Other Income on the 2008 Consolidated Statements of Income. The Company's investment carrying value for Express was $5 million as of January 30, 2010 and zero as of January 31, 2009. These amounts are included in Other Assets on the Consolidated Balance Sheets.

In March 2010, Express distributed a cash dividend to its owners and the Company received $57 million. The proceeds received from the cash dividend were in excess of the Company's carrying value of the investment in Express. As a result, the carrying value will be reduced to zero as of the date of the cash dividend and a pre-tax gain of approximately $50 million will be recorded.

***Limited Stores***

In August 2007, the Company completed the divestiture of 75% of its ownership interest in Limited Stores. In conjunction with the transaction, the Company and Limited Stores entered into transition services agreements whereby the Company provides support to Limited Stores in various operational areas including logistics, technology and merchandise sourcing. The terms of these transition services arrangements vary and range from 3 months to 3 years. The Company recognized merchandise sourcing revenue from Limited Stores of $58 million in 2009, $92 million in 2008 and $75 million in 2007. These amounts are net of the elimination of 25% of the gross merchandise sourcing revenue consistent with the Company's ownership percentage. The Company's accounts receivable from Limited Stores for merchandise sourcing and other services provided in accordance with the terms and conditions of the transition services agreements totaled $10 million as of January 30, 2010, $12 million as of January 31, 2009 and $22 million as of February 2, 2008.

The Company's investment carrying value for Limited Stores was $13 million as of January 30, 2010 and $12 million as of January 31, 2009. These amounts are included in Other Assets on the Consolidated Balance Sheets.

In February 2010, Limited Stores distributed a cash dividend to its owners and the Company received $7 million. The proceeds received reduced the Company's carrying value of the investment in Limited Stores.

***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 $66 million as of January 30, 2010, $63 million as of January 31, 2009 and $62 million as of February 2, 2008 and are recorded in Other Assets on the Consolidated Balance Sheets.

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 is accounted for using the equity method of accounting. The Company has a majority financial interest in ETC, but another unaffiliated member manages ETC. Certain significant decisions regarding ETC require the consent of unaffiliated members in addition to the Company.

In July 2007, ETC refinanced its $290 million secured bank loan replacing it with a $405 million secured bank loan. The loan is payable in full on August 9, 2017.

In conjunction with the loan refinancing, ETC repaid the existing loan, reserved cash for capital expenditures and operations and authorized the distribution of $150 million to ETC members. As an ETC member, the Company received approximately $102 million of proceeds resulting in a $100 million gain after reducing the Company's ETC carrying value from $2 million to zero. The gain is included in Other Income (Loss) on the 2007 Consolidated Statement of Income.

Total assets of ETC were approximately $241 million as of January 30, 2010, $253 million as of January 31, 2009 and $262 million as of February 2, 2008.

***Other***

In April 2008, the Company recorded a pre-tax impairment charge of $19 million related to an unconsolidated joint venture accounted for under the equity method of accounting. The charge consisted of writing down the investment balance, reserving certain accounts and notes receivable and accruing a contractual liability. The impairment of $19 million is included in Net Gain on Joint Ventures on the 2008 Consolidated Statement of Income. In July 2009, the Company recognized a pre-tax gain of $9 million ($14 million net of related tax benefits) associated with the reversal of the accrued contractual liability as a result of the divestiture of the joint venture. The pre-tax gain is included in Net Gain on Joint Ventures on the 2009 Consolidated Statements of Income.

## 10. Accrued Expenses and Other

The following table provides additional information about the composition of accrued expenses and other as of January 30, 2010 and January 31, 2009:

| | January 30, 2010 | January 31, 2009 |
|---|---|---|
| | (in millions) | |
| Deferred Revenue, Principally from Gift Card Sales | $181 | $166 |
| Compensation, Payroll Taxes and Benefits | 180 | 103 |
| Taxes, Other Than Income | 72 | 74 |
| Returns Reserve | 31 | 35 |
| Insurance | 34 | 34 |
| Rent | 20 | 25 |
| Interest | 30 | 31 |
| Current Portion of Long-term Debt | 2 | — |
| Other | 143 | 201 |
| **Total Accrued Expenses and Other** | $693 | $669 |

## 11. Income Taxes

The following table provides the components of the Company's provision for income taxes for 2009, 2008 and 2007:

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| | (in millions) | | |
| **Current:** | | | |
| U.S. Federal | $138 | $151 | $352 |
| U.S. State | 1 | 13 | 46 |
| Non-U.S. | 14 | 23 | 18 |
| **Total** | 153 | 187 | 416 |
| **Deferred:** | | | |
| U.S. Federal | 47 | 38 | 59 |
| U.S. State | 8 | 15 | (56) |
| Non-U.S. | (6) | (7) | (8) |
| **Total** | 49 | 46 | (5) |
| **Provision for Income Taxes** | $202 | $233 | $411 |

The foreign component of pre-tax income, arising principally from overseas operations, was income of $84 million for 2009, a loss of $90 million for 2008 and income of $40 million for 2007. The 2008 loss included the impact of the $215 million impairment of goodwill and other intangible assets and changes in transfer pricing. In 2009, the non-U.S. tax provision reflects the impact of enacted statutory rate decreases in Canada.

The following table provides the reconciliation between the statutory federal income tax rate and the effective tax rate for 2009, 2008 and 2007:

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| Federal Income Tax Rate | 35.0% | 35.0% | 35.0% |
| State Income Taxes, Net of Federal Income Tax Effect | 3.7% | 5.0% | 3.5% |
| State Net Operating Loss and Valuation Allowance Adjustment | 0.3% | 2.2% | (3.4%) |
| Non-deductible Loss on Divestiture of Limited Stores | —% | —% | 1.9% |
| Non-deductible Impairment of Goodwill and Other Intangible Assets | 0.3% | 14.2% | —% |
| Impact of Non-U.S. Operations | (5.0%) | —% | 1.6% |
| Other Items, Net | (3.2%) | (4.9%) | (2.2%) |
| **Effective Tax Rate** | 31.1% | 51.5% | 36.4% |

The Company's effective tax rate has historically reflected a provision related to the undistributed earnings of foreign affiliates. The Company has recorded a deferred tax liability for those amounts, but taxes are not paid until the earnings are deemed repatriated to the United States. However, when the tax basis of a foreign subsidiary is greater than its carrying value, no deferred taxes are recorded. In the fourth quarter of 2009, the Company executed a re-organization of certain of its foreign subsidiaries which resulted in the recognition of a non-cash income tax benefit of $21 million associated with the reversal of deferred tax liabilities associated with undistributed earnings of a foreign subsidiary.

**Deferred Taxes**

The following table provides the effect of temporary differences that cause deferred income taxes as of January 30, 2010 and January 31, 2009. Deferred tax assets and liabilities represent the future effects on income taxes resulting from temporary differences and carryforwards at the end of the respective year.

| | January 30, 2010 | | | January 31, 2009 | | |
|---|---|---|---|---|---|---|
| | Assets | Liabilities | Total | Assets | Liabilities | Total |
| | | | (in millions) | | | |
| Leases | $ 37 | $ — | $ 37 | $ 33 | $ — | $ 33 |
| Non-qualified Retirement Plan | 63 | — | 63 | 62 | — | 62 |
| Inventory | 2 | — | 2 | 47 | — | 47 |
| Property and Equipment | — | (177) | (177) | — | (153) | (153) |
| Goodwill | — | (15) | (15) | — | (15) | (15) |
| Trade Names and Other Intangibles | — | (184) | (184) | — | (182) | (182) |
| Undistributed Earnings of Foreign Affiliates | — | — | — | — | (13) | (13) |
| Other Comprehensive Income Items | 9 | — | 9 | — | — | — |
| State Net Operating Losses | 33 | — | 33 | 32 | — | 32 |
| Non-U.S. Operating Losses | 32 | — | 32 | 21 | — | 21 |
| Valuation Allowance | (38) | — | (38) | (28) | — | (28) |
| Other, Net | 53 | — | 53 | 59 | — | 59 |
| **Total Deferred Income Taxes** | $191 | $(376) | $(185) | $226 | $(363) | $(137) |

As of January 30, 2010, the Company had available for state income tax purposes net operating loss carryforwards which expire, if unused, in the years 2010 through 2028. The Company has analyzed the realization of the state net operating loss carryforwards on an individual state basis. For those states where the Company has determined that it is more likely than not that the state net operating loss carryforwards will not be realized, a valuation allowance has been provided for the deferred tax asset.

As of January 30, 2010, the Company had available for non-U.S. tax purposes net operating loss carryforwards which expire, if unused, in the years 2028 through 2030. The Company has determined that it is more likely than not that all of the net operating loss carryforwards will not be realized and a valuation allowance has been provided for the net deferred tax assets, including the net operating loss carryforwards, of the related tax loss entity.

Income taxes payable on the accompanying Consolidated Balance Sheets included net current deferred tax liabilities of $2 million as of January 30, 2010 and $2 million as of January 31, 2009. Income tax payments were $118 million for 2009, $205 million for 2008 and $428 million for 2007.

**Uncertain Tax Positions**

The Company had unrecognized tax benefits of $145 million and $164 million as of January 30, 2010 and January 31, 2009, respectively, of which $113 million and $95 million would reduce the effective income tax rate for 2009 and 2008, respectively. The unrecognized tax benefits are included within Other Long-term Liabilities on the Consolidated Balance Sheets. Of the total unrecognized tax benefits, it is reasonably possible that $25 million could change in the next twelve months due to audit settlements, expiration of statute of limitations or other resolution of uncertainties. Due to the uncertain and complex application of tax regulations, it is possible that the ultimate resolution of audits may result in liabilities which could be different from this estimate. In such case, the Company will record additional tax expense or tax benefit in the tax provision or reclassify amounts on the Consolidated Balance Sheet in the period in which such matters are effectively settled with the tax authority.

The Company recognizes interest and penalties related to unrecognized tax benefits as components of income tax expense. The Company recognized interest and penalties benefit of $7 million in 2009. The Company recognized interest and penalties expense of $7 million and $4 million in 2008 and 2007, respectively. The Company has accrued approximately $30 million and $47 million for the payment of interest and penalties as of January 30, 2010 and January 31, 2009, respectively.

The following table summarizes the activity related to its unrecognized tax benefits for U.S. federal, state & non-U.S. tax jurisdictions for 2009 and 2008 without interest and penalties:

| | 2009 | 2008 |
|---|---|---|
| | (in millions) | |
| **Gross Unrecognized Tax Benefits, as of the Beginning of the Fiscal Year** | $116 | $104 |
| Increases in Tax Positions for Prior Years | 18 | 16 |
| Decreases in Tax Positions for Prior Years | (31) | (18) |
| Increases in Unrecognized Tax Benefits as a Result of Current Year Activity | 26 | 23 |
| Decreases to Unrecognized Tax Benefits Relating to Settlements with Taxing Authorities | (9) | (3) |
| Decreases to Unrecognized Tax Benefits as a Result of a Lapse of the Applicable Statute of Limitations | (6) | (5) |
| Foreign Currency Translation | 1 | (1) |
| **Gross Unrecognized Tax Benefits, as of the End of the Fiscal Year** | $115 | $116 |

The Company files U.S. federal income tax returns as well as income tax returns in various states and in non-U.S. jurisdictions. At the end of 2009, the Company was subject to examination by the IRS for calendar years 2006 through 2009. The Company is also subject to various U.S. state and local income tax examinations for the years 1999 to 2009. Finally, the Company is subject to multiple non-U.S. tax jurisdiction examinations for the years

2000 to 2009. In some situations, the Company determines that it does not have a filing requirement in a particular tax jurisdiction. Where no return has been filed, no statute of limitations applies. Accordingly, if a tax jurisdiction reaches a conclusion that a filing requirement does exist, additional years may be reviewed by the tax authority. The Company believes it has appropriately accounted for uncertainties related to this issue.

### 12. Long-term Debt

The following table provides the Company's long-term debt balance as of January 30, 2010 and January 31, 2009:

| | January 30, 2010 | January 31, 2009 |
|---|---|---|
| | (in millions) | |
| **Senior Secured Debt** | | |
| Term Loan due August 2012. Variable Interest Rate of 4.28% as of January 30, 2010 | $ 200 | $ 750 |
| 5.30% Mortgage due August 2010 | 2 | 2 |
| Total Senior Secured Debt | $ 202 | $ 752 |
| **Senior Unsecured Debt with Subsidiary Guarantee** | | |
| $500 million, 8.50% Fixed Interest Rate Notes due June 2019, Less Unamortized Discount | $ 485 | $ — |
| **Senior Unsecured Debt** | | |
| $700 million, 6.90% Fixed Interest Rate Notes due July 2017, Less Unamortized Discount | $ 699 | $ 698 |
| $500 million, 5.25% Fixed Interest Rate Notes due November 2014, Less Unamortized Discount | 499 | 499 |
| $350 million, 6.95% Fixed Interest Rate Debentures due March 2033, Less Unamortized Discount | 350 | 350 |
| $300 million, 7.60% Fixed Interest Rate Notes due July 2037, Less Unamortized Discount | 299 | 299 |
| 6.125% Fixed Interest Rate Notes due December 2012, Less Unamortized Discount (a) | 191 | 299 |
| Total Senior Unsecured Debt | $2,038 | $2,145 |
| Total | $2,725 | $2,897 |
| Current Portion of Long-term Debt | (2) | — |
| Total Long-term Debt, Net of Current Portion | $2,723 | $2,897 |

(a) The principal balance outstanding was $191 million as of January 30, 2010 and $300 million as of January 31, 2009.

The following table provides principal payments due on long-term debt in the next five fiscal years and the remaining years thereafter:

| Fiscal Year (in millions) | |
|---|---|
| 2010 | $ 2 |
| 2011 | — |
| 2012 | 391 |
| 2013 | — |
| 2014 | 500 |
| Thereafter | 1,850 |

Cash paid for interest was $250 million in 2009, $174 million in 2008 and $151 million in 2007.

### *Issuance of 2019 Notes*

In June 2009, the Company issued $500 million of 8.50% notes due in June 2019 ("2019 Notes") through an institutional private placement offering. The obligation to pay principal and interest on these notes is jointly and severally guaranteed on a full and unconditional basis by certain of the Company's wholly-owned subsidiaries (the "guarantors"). The net proceeds from the issuance were $473 million, which included an issuance discount of $16 million and transaction costs of $11 million. These transaction costs are being amortized through the maturity date of June 2019 and are included within Other Assets on the January 30, 2010 Consolidated Balance Sheet. The Company used the proceeds from this offering to repurchase $108 million of the Company's 2012 notes and to prepay $392 million of the Company's variable rate term loan ("Term Loan").

On November 10, 2009, the Company and the guarantors filed a registration statement with the SEC to register new notes with materially identical terms to the 2019 Notes. On December 15, 2009, the Company and the guarantors filed an amended registration statement to offer a public exchange of the 2019 Notes. On January 29, 2010, the exchange offer expired with a result of 100% of bondholders exchanging the 2019 Notes.

### *Repurchase of 2012 Notes*

In June 2009, the Company repurchased $5 million of the $300 million notes due in December 2012 through open market transactions. In July 2009, the Company announced a tender offer for the remaining portion of the 2012 notes. In August 2009, the Company repurchased $103 million of the 2012 notes through the tender offer for $101 million. The gain on extinguishment of this debt of $2 million is included in Other Income on the 2009 Consolidated Statements of Income.

### *Credit Facility and Term Loan*

*2009*

On February 19, 2009, the Company amended its $1 billion unsecured revolving credit facility expiring in August 2012 (the "5-Year Facility"), amended its Term Loan for $750 million maturing in August 2012 and canceled its $300 million, 364-day unsecured revolving credit facility. The amendment to the 5-Year Facility and the Term Loan includes changes to both the fixed charge coverage and leverage covenants. Under the amended covenants, the Company is required to maintain the fixed charge coverage ratio at 1.60 or above through fiscal year 2010 and 1.75 or above thereafter. The leverage ratio, which is debt compared to EBITDA, as those terms are defined in the agreement, must not exceed 5.0 through the third quarter of fiscal year 2010, 4.5 from the fourth quarter of fiscal year 2010 through the third quarter of fiscal year 2011 and 4.0 thereafter. The Company was in compliance with the covenant requirements as of January 30, 2010. The amendment also increases the interest costs and fees associated with the 5-Year Facility and the Term Loan, provides for certain security interests as defined in the agreement and limits dividends, share repurchases and other restricted payments as defined in the agreement to $220 million per year with certain potential increases as defined in the agreement. The amendment does not impact the maturity dates of either the 5-Year Facility or the Term Loan.

The Company incurred fees related to the amendment of the 5-Year Facility and the Term Loan of $19 million. The fees associated with the 5-Year Facility amendment of $11 million were capitalized. This cost is included within Other Assets on the January 30, 2010 Consolidated Balance Sheet and is being amortized over the remaining term of the 5-Year Facility. The fees associated with the Term Loan amendment of $8 million were expensed in addition to unamortized fees related to the original agreement of $2 million. These charges are included within Interest Expense on the 2009 Consolidated Statement of Income.

The 5-Year Facility and Term Loan have several interest rate options, which are based in part on the Company's long-term credit ratings. For 2009, the effective interest rate of the Term Loan, including the impact of the participating interest rate swaps, was 6.88%. Fees payable under the 5-Year Facility are based on the Company's long-term credit ratings and are currently 0.75% of the committed and unutilized amounts per year and 4.00% on any outstanding borrowings or letters of credit. As of January 30, 2010, there were no borrowings outstanding under the 5-Year Facility.

The Company prepaid $392 million of the Term Loan with cash proceeds from the $500 million note issuance in June 2009. In December 2009, the Company prepaid an additional $158 million of the Term Loan with cash on-hand.

*2010*

In March 2010, the Company prepaid the remaining $200 million of the Term Loan with cash on hand and also entered into an amendment and restatement (the "Amendment") of its 5-Year Facility. The Amendment establishes two classes of loans under the 5-Year Facility; Class A loans to be made by lenders who consent to the Amendment and Class B loans to be made by non-consenting lenders. The Amendment extends the termination date of the 5-Year Facility from August 3, 2012 to August 1, 2014 on Class A loans. The Amendment also reduces the aggregate amount of the commitments of the lenders under the 5-Year Facility from $1 billion to $927 million. The loan commitments are $800 million and $127 million for Class A and Class B, respectively. The Company is permitted to borrow and prepay separately under either class of loans.

Additionally, the Amendment modifies the covenants limiting investments and restricted payments to provide that investments and restricted payments may be made, without limitation on amount, if (a) at the time of and after giving effect to such investment or restricted payment the ratio of consolidated debt to consolidated EBITDA for the most recent four quarter period is less than 3.0 to 1.0 and (b) no default or event of default exists.

The Company incurred fees related to the amendment of the 5-Year Facility of $13 million, which were capitalized and will be amortized over the remaining term of the 5-Year Facility.

***Letters of Credit and Commercial Paper Programs***

The 5-Year Facility supports the Company's commercial paper and letter of credit programs. The Company has $65 million of outstanding letters of credit as of January 30, 2010 that reduce its remaining availability under its amended credit agreements. No commercial paper was outstanding as of January 30, 2010 or January 31, 2009.

***Participating Interest Rate Swap Arrangements***

In January 2008, the Company entered into participating interest rate swap arrangements designated as cash flow hedges to mitigate exposure to interest rate fluctuations related to the Term Loan. In conjunction with the Term Loan prepayments, the Company de-designated portions of the participating interest rate swap arrangements totaling $392 million. As of January 30, 2010, the remaining notional amount of the designated participating interest rate swap arrangements is $200 million, which aligns with the remaining outstanding principal balance on the Term Loan. For additional information, see Note 13, "Derivative Instruments." Subsequent to January 30, 2010, the Company terminated the remaining portion of the participating interest rate swap arrangement totaling $200 million in conjunction with the remaining $200 million Term Loan prepayment. For additional information, see Note 13, "Derivative Instruments."

## 13. Derivative Instruments

***Foreign Exchange Risk***

In January 2007, the Company entered into a series of cross-currency swaps related to approximately $470 million of Canadian dollar denominated intercompany loans. These cross-currency swaps mitigate the exposure to fluctuations in the U.S. dollar-Canadian dollar exchange rate related to the Company's La Senza operations.

The cross-currency swaps require the periodic exchange of fixed rate Canadian dollar interest payments for fixed rate U.S. dollar interest payments as well as exchange of Canadian dollar and U.S. dollar principal payments upon maturity. The cross-currency swaps mature between 2015 and 2018 at the same time as the related loans and are designated as cash flow hedges of foreign currency exchange risk. Changes in the U.S. dollar-Canadian dollar exchange rate and the related swap settlements result in reclassification of amounts from accumulated other comprehensive income (loss) to earnings to completely offset foreign currency transaction gains and losses recognized on the intercompany loans.

The following table provides a summary of the fair value and balance sheet classification of the derivative financial instruments designated as foreign exchange cash flow hedges as of January 30, 2010 and January 31, 2009:

| | January 30, 2010 | January 31, 2009 |
|---|---|---|
| | (in millions) | |
| Other Assets | $— | $26 |
| Other Long-term Liabilities | 34 | — |

The following table provides a summary of the pre-tax financial statement effect of the gains and losses on the Company's derivative instruments designated as foreign exchange cash flow hedges for 2009 and 2008:

| | Location | 2009 | 2008 |
|---|---|---|---|
| | | (in millions) | |
| Gain (Loss) Recognized in Other Comprehensive Income (Loss) | Other Comprehensive Income (Loss) | $(60) | $ 81 |
| (Gain) Loss Reclassified from Accumulated Other Comprehensive Income (Loss) into Other Income (a) | Other Income | 57 | (91) |

(a) Represents reclassification of amounts from accumulated other comprehensive income (loss) to earnings to completely offset foreign currency transaction gains and losses recognized on the intercompany loans. No ineffectiveness was associated with these foreign exchange cash flow hedges.

***Interest Rate Risk***

***Interest Rate Designated Cash Flow Hedges***

In January 2008, the Company entered into participating interest rate swap arrangements to mitigate exposure to interest rate fluctuations related to the Term Loan. The participating interest rate swap arrangements effectively convert the Term Loan to a fixed interest rate while still allowing the Company to partially benefit from declines in short-term interest rates. The swap arrangements were designated as cash flow hedges of interest rate risk and expire in 2012, at the same time as the related debt. Amounts are reclassified from accumulated other comprehensive income (loss) to earnings as interest expense is recognized on the Term Loan.

The Company prepaid $392 million of the Term Loan with cash proceeds from the $500 million note issuance in June 2009. In conjunction with the Term Loan prepayments, the Company de-designated portions of the participating interest rate swap arrangements totaling $392 million. As a result, hedge accounting was discontinued prospectively on the de-designated portions of the arrangements. Immediately following de-designation, the Company terminated $292 million of the arrangements which resulted in realized losses of $12 million. The realized losses were recognized in Accumulated Other Comprehensive Income (Loss) on the Consolidated Balance Sheet and are being amortized into Interest Expense through the remaining life of the original hedged instrument (August 2012). To offset the impact of the remaining $100 million portion of the de-designated arrangements, the Company entered into a non-designated derivative instrument. For additional information, see the "Interest Rate Non-designated Derivative Instruments" section below.

In December 2009, the Company prepaid an additional $158 million of the Term Loan with cash on-hand. In conjunction with the Term Loan prepayment, the Company terminated an equal portion of the participating interest rate swap arrangements which resulted in realized losses of $8 million. These realized losses are expensed as there are no future cash flows associated with these terminated swap arrangements. These realized losses were recognized in Interest Expense on the 2009 Consolidated Statement of Income.

As of January 30, 2010, the remaining notional amount of the designated participating interest rate swap arrangements is $200 million, which aligns with the remaining outstanding principal balance on the Term Loan.

Subsequent to January 30, 2010, the Company prepaid the remaining $200 million of the Term Loan with cash on-hand. In conjunction with the Term Loan prepayment, the Company terminated the remaining portion of the participating interest rate swap arrangements totaling $200 million resulting in a realized loss of $10 million.

The following table provides a summary of the fair value and balance sheet classification of the derivative financial instruments designated as interest rate cash flow hedges as of January 30, 2010 and January 31, 2009:

| | January 30, 2010 | January 31, 2009 |
|---|---|---|
| | (in millions) | |
| Other Long-term Liabilities | $10 | $30 |

The following table provides a summary of the pre-tax financial statement effect of gains and losses on the Company's derivative financial instruments designated as interest rate cash flow hedges for 2009 and 2008:

| | Location | 2009 | 2008 |
|---|---|---|---|
| | | (in millions) | |
| Gain (Loss) Recognized in Other Comprehensive Income (Loss) | Other Comprehensive Income (Loss) | $(14) | $(16) |
| Loss Reclassified from Accumulated Other Comprehensive Income (Loss) into Interest Expense (a) | Interest Expense | 22 | — |

(a) Represents reclassification of amounts from accumulated other comprehensive income (loss) to earnings as interest expense is recognized on the Term Loan. No ineffectiveness is associated with these interest rate cash flow hedges.

***Interest Rate Non-designated Derivative Instruments***

As discussed above, the Company de-designated a notional amount of $100 million of the participating interest rate swap arrangements. To offset the impact of these de-designated arrangements, the Company paid $3 million to enter into a non-designated interest rate swap with a notional amount of $100 million.

The following table provides a summary of the fair value and balance sheet classification of these derivative financial instruments as of January 30, 2010:

| | January 30, 2010 |
|---|---|
| | (in millions) |
| Other Assets | $5 |
| Other Long-term Liabilities | 5 |

The financial impact to the Consolidated Statement of Income is not significant as the impacts of these derivative instruments are designed to offset.

## 14. Fair Value Measurements

The following table provides a summary of the carrying value and fair value of long-term debt as of January 30, 2010 and January 31, 2009:

| | January 30, 2010 | January 31, 2009 |
|---|---|---|
| | (in millions) | |
| Carrying Value | $2,725 | $2,897 |
| Fair Value (a) | 2,690 | 2,113 |

(a) The estimated fair value of the Company's publicly traded debt is based on quoted market prices. The estimated fair value of the Term Loan is equal to its carrying value. The estimates presented are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

The following table provides a summary of assets and liabilities measured in the financial statements at fair value on a recurring basis as of January 30, 2010 and January 31, 2009:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | | (in millions) | | |
| **As of January 30, 2010** | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | $1,804 | $— | $— | $1,804 |
| Interest Rate Non-designated Derivative Instrument | — | 5 | — | 5 |
| Liabilities: | | | | |
| Cross-currency Cash Flow Hedges | — | 34 | — | 34 |
| Interest Rate Designated Cash Flow Hedges | — | 10 | — | 10 |
| Interest Rate Non-designated Derivative Instrument | — | 5 | — | 5 |
| Lease Guarantees | — | — | 9 | 9 |
| **As of January 31, 2009** | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | $1,173 | $— | $— | $1,173 |
| Cross-currency Cash Flow Hedges | — | 26 | — | 26 |
| Liabilities: | | | | |
| Interest Rate Designated Cash Flow Hedges | — | 30 | — | 30 |
| Lease Guarantees | — | — | 15 | 15 |

Management believes that the carrying values of accounts receivable, accounts payable and accrued expenses approximate fair value because of their short maturity.

The following table provides a reconciliation of the Company's lease guarantees measured at fair value on a recurring basis using unobservable inputs (Level 3) for 2009 and 2008:

| | 2009 | 2008 |
|---|---|---|
| | (in millions) | |
| Beginning Balance | $15 | $10 |
| Change in Estimated Fair Value Reported in Earnings | (6) | 5 |
| Ending Balance | 9 | 15 |

The Company's lease 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 certain businesses. The fair value of these lease guarantees is impacted by economic conditions, probability of rent obligation payments, period of obligation as well as the discount rate utilized. For additional information, see Note 17, "Commitments and Contingencies."

## 15. Comprehensive Income (Loss)

Comprehensive Income (Loss) consists of gains and losses on derivative instruments and foreign currency translation adjustments. The cumulative gains and losses on these items are included in Accumulated Other Comprehensive Income (Loss) in the Consolidated Balance Sheets and Consolidated Statements of Shareholder's Equity.

The following table provides additional detail regarding the composition of accumulated other comprehensive income (loss) as of January 30, 2010 and January 31, 2009:

| | January 30, 2010 | January 31, 2009 |
|---|---|---|
| | (in millions) | |
| Foreign Currency Translation | $ (6) | $ (4) |
| Cash Flow Hedges | (9) | (24) |
| Total Accumulated Other Comprehensive Income (Loss) | $(15) | $(28) |

## 16. Leases

The Company is committed to noncancelable leases with remaining terms generally from one to ten years. A substantial portion of the Company's leases consist of store leases generally with an initial term of ten years. Annual store rent consists of a fixed minimum amount and/or contingent rent based on a percentage of sales exceeding a stipulated amount. Store lease terms generally require additional payments covering taxes, common area costs and certain other expenses. These additional payments are excluded from the table below.

The following table provides rent expense for 2009, 2008 and 2007:

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| | | (in millions) | |
| **Store Rent:** | | | |
| Fixed Minimum | $407 | $391 | $431 |
| Contingent | 40 | 37 | 58 |
| **Total Store Rent** | 447 | 428 | 489 |
| Office, Equipment and Other | 61 | 64 | 70 |
| **Gross Rent Expense** | 508 | 492 | 559 |
| Sublease Rental Income | (2) | (4) | (9) |
| **Total Rent Expense** | $506 | $488 | $550 |

The following table provides the Company's minimum rent commitments under noncancelable operating leases in the next five fiscal years and the remaining years thereafter:

| Fiscal Year (in millions) (a) | |
|---|---|
| 2010 | $ 478 |
| 2011 | 444 |
| 2012 | 396 |
| 2013 | 362 |
| 2014 | 337 |
| Thereafter | 1,115 |

(a) Excludes additional payments covering taxes, common area costs and certain other expenses generally required by store lease terms.

The Company's future sublease income under noncancelable subleases was $12 million as of January 30, 2010, which included $3 million of rent commitments related to disposed businesses under master lease arrangements.

### 17. Commitments and Contingencies

The Company is subject to various claims and contingencies related to lawsuits, taxes, insurance, regulatory and other matters arising out of the normal course of business. Actions filed against the Company from time to time include commercial, tort, intellectual property, customer, employment, data privacy, securities and other claims, including purported class action lawsuits. 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.

On November 6, 2009, a class action (International Brotherhood of Electrical Workers Local 697 Pension Fund v. Limited Brands, Inc. et al.) was filed against the Company and certain of its officers in the United States District Court for the Southern District of Ohio on behalf of a purported class of all persons who purchased or acquired shares of Limited Brands common stock between August 22, 2007 and February 28, 2008. The Company believes the complaint is without merit and that it has substantial factual and legal defenses to the claims at issue. The Company intends to vigorously defend against this action. The Company cannot reasonably estimate the possible loss or range of loss that may result from this lawsuit.

#### *Guarantees*

In connection with the disposition of certain businesses, the Company has remaining guarantees of approximately $135 million related to lease payments of Express, Limited Stores, Abercrombie & Fitch, Dick's Sporting Goods (formerly Galyan's), Lane Bryant, New York & Company and Anne.x under the current terms of noncancelable leases expiring at various dates through 2017. 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.

In April 2008, the Company received an irrevocable standby letter of credit from Express of $34 million issued by a third-party bank to mitigate a portion of the Company's contingent liability for guaranteed future lease payments of Express. The Company can draw from the irrevocable standby letter of credit if Express were to default on any of the guaranteed leases. The irrevocable standby letter of credit is reduced through the November 1, 2010 expiration date consistent with the overall reduction in guaranteed lease payments. The outstanding balance of the irrevocable standby letter of credit from Express was $6 million as of January 30, 2010 and $19 million as of January 31, 2009.

The Company's guarantees related to Express, Limited Stores and New York & Company require fair value accounting in accordance with U.S. GAAP in effect at the time of these divestitures. The guaranteed lease payments related to Express (net of the irrevocable standby letter of credit), Limited Stores and New York & Company totaled $84 million as of January 30, 2010 and $94 million as of January 31, 2009. The estimated fair value of these guarantee obligations was $9 million as of January 30, 2010 and $15 million as of January 31, 2009, and is included in Other Long-term Liabilities on the Consolidated Balance Sheets.

The Company's guarantees related to Abercrombie & Fitch, Dick's Sporting Goods (formerly Galyan's), Lane Bryant and Anne.x are not subject to fair value accounting, but require that a loss be accrued when probable and reasonably estimable based on U.S. GAAP in effect at the time of these divestitures. As of January 30, 2010 and January 31, 2009, the Company had no liability recorded with respect to any of the guarantee obligations as it concluded that payments under these guarantees were not probable.

## 18. Retirement Benefits

The Company sponsors a tax-qualified defined contribution retirement plan and a non-qualified supplemental retirement plan for substantially all of its associates within the United States of America. Participation in the tax-qualified plan is available to associates who meet certain age and service requirements. Participation in the non-qualified plan is made available to associates who meet certain age, service, job level and compensation requirements.

The qualified plan permits participating associates to elect contributions up to the maximum limits allowable under the Internal Revenue Code. The Company matches associate contributions according to a predetermined formula and contributes additional amounts based on a percentage of the associates' eligible annual compensation and years of service. Associate contributions and Company matching contributions vest immediately. Additional Company contributions and the related investment earnings are subject to vesting based on years of service. Total expense recognized related to the qualified plan was $46 million for 2009, $40 million for 2008 and $44 million for 2007.

The non-qualified plan is an unfunded plan which provides benefits beyond the Internal Revenue Code limits for qualified defined contribution plans. The plan permits participating associates to elect contributions up to a maximum percentage of eligible compensation. The Company matches associate contributions according to a predetermined formula and contributes additional amounts based on a percentage of the associates' eligible compensation and years of service. The plan also permits participating associates to defer additional compensation up to a maximum amount which the Company does not match. Associates' accounts are credited with interest using a rate determined by the Company. Associate contributions and the related interest vest immediately. Company contributions, along with related interest, are subject to vesting based on years of service. Associates may elect in-service distributions for the unmatched additional deferred compensation component only. The remaining vested portion of associates' accounts in the plan will be distributed upon termination of employment in either a lump sum or in equal annual installments over a specified period of up to 10 years.

The following table provides the Company's annual activity for this plan and year-end liability, included in Other Long-term Liabilities on the Consolidated Balance Sheets, as of January 30, 2010 and January 31, 2009:

| | January 30, 2010 | January 31, 2009 |
|---|---|---|
| | (in millions) | |
| **Balance at Beginning of Year** | $167 | $175 |
| Contributions: | | |
| Associate | 7 | 9 |
| Company | 8 | 9 |
| Interest | 12 | 13 |
| Distributions | (26) | (39) |
| **Balance at End of Year** | $168 | $167 |

Total expense recognized related to the non-qualified plan was $20 million for 2009, $21 million for 2008 and $22 million for 2007.

## 19. Shareholders' Equity

Under the authority of the Company's Board of Directors, the Company repurchased shares of its common stock under the following repurchase programs during the fiscal years ended January 30, 2010, January 31, 2009 and February 2, 2008:

| | Amount Authorized | Shares Repurchased 2009 | Shares Repurchased 2008 | Shares Repurchased 2007 | Average Stock Price of Shares Repurchased within Program |
|---|---|---|---|---|---|
| | (in millions) | (in thousands) | | | |
| October 2008 (a) | $ 250 | — | 19,048 | — | $11.48 |
| November 2007 (b) | 250 | — | 8,539 | 5,887 | 17.33 |
| August 2007 | 250 | — | — | 11,870 | 21.06 |
| June 2007 | 1,000 | — | — | 38,656 | 25.87 |
| June 2006 (c) | 100 | — | — | 2,296 | 26.35 |
| **Total Shares Repurchased** | | — | 27,587 | 58,709 | |

(a) The repurchase program authorized in October 2008 had $31 million remaining as of January 30, 2010.

(b) The repurchase program authorized in November 2007 had repurchases of $150 million in 2008 at an average stock price of $17.54 and repurchases of $100 million in 2007 at an average stock price of $17.02. This repurchase program was completed in May 2008.

(c) The repurchase program authorized in June 2006 had repurchases of $59 million in 2007 at an average stock price of $25.86 and repurchases of $41 million in 2006 at an average stock price of $27.11. This repurchase program was completed in May 2007.

For the November 2007 repurchase program, $8 million of share repurchases were reflected in accounts payable as of February 2, 2008 and were settled in February 2008. There were no share repurchases reflected in accounts payable as of January 31, 2009 or January 30, 2010. In 2009, no additional shares were repurchased.

In January 2010, the Company retired 201 million shares of its Treasury Stock. The retirement resulted in a reduction of $4.641 billion in Treasury Stock, $101 million in the par value of Common Stock, $1.545 billion in Paid-in Capital and $2.995 billion in Retained Earnings.

In March 2010, the Company's Board of Directors declared a special dividend of $1 per share. In addition, the Company's Board of Directors authorized a share repurchase program of $200 million and cancelled the Company's previous $250 million share repurchase program, which had $31 million remaining.

## 20. Share-based Compensation

*Plan Summary*

The shareholder approved Limited Brands, Inc. 1993 Stock Option and Performance Incentive Plan ("2009 Restatement") as amended provides for the grant of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock, performance-based restricted stock, performance units and unrestricted shares. The Company grants stock options at a price equal to the fair market value of the stock on the date of grant. Stock options have a maximum term of ten years. Stock options generally vest ratably over 3-4 years. Restricted stock generally vests (the restrictions lapse) over a three year period.

The Limited Brands, Inc. Stock Award and Deferred Compensation Plan for Non-Associate Directors provides for an annual stock retainer for non-associate directors. The stock issued in conjunction with this plan has no restrictions.

Under the Company's plans, approximately 102 million options, restricted and unrestricted shares have been authorized to be granted to employees and directors. Approximately 14 million options and shares were available for grant as of January 30, 2010.

*Stock Options*

The following table provides the Company's stock option activity for the fiscal year ended January 30, 2010:

| | Number of Shares | Weighted Average Option Price Per Share | Weighted Average Remaining Contractual Life | Aggregate Intrinsic Value |
|---|---|---|---|---|
| | (in thousands) | | (in years) | (in thousands) |
| Outstanding as of January 31, 2009 | 15,381 | $19.62 | | |
| Granted | 3,853 | 8.73 | | |
| Exercised | (690) | 14.40 | | |
| Cancelled | (3,514) | 18.84 | | |
| Outstanding as of January 30, 2010 | 15,030 | $17.26 | 6.04 | $55,019 |
| Vested and Expected to Vest as of January 30, 2010 (a) | 13,922 | 17.68 | 5.83 | 46,578 |
| Options Exercisable as of January 30, 2010 | 9,308 | 19.97 | 4.44 | 14,587 |

(a) The number of options expected to vest includes an estimate of expected forfeitures.

Intrinsic value for stock options is the difference between the current market value of the Company's stock and the option strike price. The total intrinsic value of options exercised was $3 million for 2009, $10 million for 2008 and $80 million for 2007.

The total fair value at grant date of option awards vested was $12 million for 2009, $13 million for 2008 and $23 million for 2007.

The Company's total unrecognized compensation cost, net of estimated forfeitures, related to nonvested options was $7 million as of January 30, 2010. This cost is expected to be recognized over a weighted-average period of 2.0 years.

The weighted-average estimated fair value of stock options granted was $1.88 per share for 2009, $3.47 per share for 2008 and $6.97 per share for 2007.

Cash received from stock options exercised was $10 million for 2009, $31 million for 2008 and $74 million for 2007. Tax benefits realized from tax deductions associated with stock options exercised were $1 million for 2009, $5 million for 2008 and $30 million for 2007.

The Company uses the Black-Scholes option-pricing model for valuation of options granted to employees and directors. The Company's determination of the fair value of options is affected by the Company's stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, the Company's expected stock price volatility over the term of the awards and projected employee stock option exercise behaviors.

The following table contains the weighted-average assumptions used during 2009, 2008 and 2007:

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| Expected Volatility | 45% | 29% | 32% |
| Risk-free Interest Rate | 1.4% | 2.5% | 4.5% |
| Dividend Yield | 6.8% | 3.4% | 3.0% |
| Expected Life (in years) | 3.8 | 5.2 | 5.3 |

The majority of the Company's stock-based compensation awards are granted on an annual basis in the first quarter of each year. The expected volatility assumption is based on the Company's analysis of historical volatility. The risk-free interest rate assumption is based upon the average daily closing rates during the period for U.S. treasury notes that have a life which approximates the expected life of the option. The dividend yield assumption is based on the Company's history and expectation of dividend payouts in relation to the stock price at the grant date. The expected life of employee stock options represents the weighted-average period the stock options are expected to remain outstanding.

*Restricted Stock*

The following table provides the Company's restricted stock activity for the fiscal year ended January 30, 2010:

| | Number of Shares | Weighted Average Grant Date Fair Value |
|---|---|---|
| | (in thousands) | |
| **Unvested as of January 31, 2009** | 6,213 | $17.60 |
| Granted | 4,586 | 7.33 |
| Vested | (1,218) | 24.18 |
| Cancelled | (199) | 14.04 |
| **Unvested as of January 30, 2010** | 9,382 | 12.03 |

The Company's total intrinsic value of restricted stock vested was $14 million for 2009, $15 million for 2008 and $11 million for 2007.

The Company's total fair value at grant date of awards vested was $29 million for 2009, $19 million for 2008 and $8 million for 2007. Fair value of restricted stock awards is based on the market value of an unrestricted share on the grant date adjusted for anticipated dividend yields.

As of January 30, 2010, there was $26 million of total unrecognized compensation cost, net of estimated forfeitures, related to unvested restricted stock. That cost is expected to be recognized over a weighted-average period of 1.8 years.

Tax benefits realized from tax deductions associated with restricted stock vested were $4 million for 2009, $6 million for 2008 and $5 million for 2007.

*Income Statement Impact*

Total pre-tax share-based compensation expense recognized was $40 million for 2009, $35 million for 2008 and $44 million for 2007. The tax benefit associated with share-based compensation was $13 million for 2009, $11 million for 2008 and $14 million for 2007.

The following table provides share-based compensation expense included in the Consolidated Statements of Income for 2009, 2008 and 2007:

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| | (in millions) | | |
| Costs of Goods Sold, Buying and Occupancy | $12 | $11 | $10 |
| General, Administrative and Store Operating Expenses | 28 | 24 | 34 |
| **Total Share-based Compensation Expense** | $40 | $35 | $44 |

In March 2010, the Company's Board of Directors declared a special dividend of $1 per share. The special dividend will be distributed on April 19, 2010 to shareholders of record at the close of business on April 5, 2010. In accordance with the terms of the 2009 Restatement, the Company will adjust both the exercise price and the number of share-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 will be approximately equal immediately before and after the dividend record date. Since this adjustment will be made in accordance with the anti-dilutive provisions of the 2009 Restatement, no compensation expense will be recognized for this adjustment.

**21. Segment Information**

Prior to the divestitures of Express and Limited Stores in the second quarter of 2007, the Company had three reportable segments: Victoria's Secret, Bath & Body Works and Apparel. The Victoria's Secret reportable segment consists of the Victoria's Secret and La Senza operating segments which are aggregated in accordance with the authoritative guidance included in ASC 280, *Segment Reporting*.

The Victoria's Secret segment sells women's intimate and other apparel, personal care and beauty products and accessories under the Victoria's Secret, Pink and La Senza brand names. Victoria's Secret merchandise is sold through retail stores, its website, *www.VictoriasSecret.com,* and its catalogue. Through its website and catalogue, certain Victoria's Secret's merchandise may be purchased worldwide. La Senza sells merchandise through retail stores located throughout Canada and licensed stores in 49 other countries. La Senza products may also be purchased through its website, *www.LaSenza.com.*

The Bath & Body Works segment sells personal care, beauty and home fragrance products under the Bath & Body Works, C.O. Bigelow, White Barn Candle Company and other brand names. Bath & Body Works merchandise is sold at retail stores and through its website, *www.bathandbodyworks.com.*

The Apparel segment sold women's and men's apparel through Express and Limited Stores. After the closing dates of the divestitures, the segment no longer exists. However, the Company retains a 25% ownership interest in Express and Limited Stores.

Other consists of the following:

- Henri Bendel, operator of eleven specialty stores, which features accessories and personal care products;
- Mast, an apparel merchandise sourcing and production function serving Victoria's Secret, La Senza and third-party customers;
- Beauty Avenues, a personal care sourcing and production function serving Victoria's Secret, La Senza and Bath & Body Works;
- International retail and wholesale operations (excluding La Senza), which include the Company's Bath & Body Works and Victoria's Secret Pink stores in Canada; and
- Corporate functions including non-core real estate, equity investments and other governance functions such as treasury and tax.

The following table provides the Company's segment information as of and for the fiscal years ended January 30, 2010, January 31, 2009 and February 2, 2008:

| | Victoria's Secret | Bath & Body Works | Apparel(a) | Other | Total |
|---|---|---|---|---|---|
| | | | (in millions) | | |
| **January 30, 2010** | | | | | |
| Net Sales | $5,307 | $2,383 | $ — | $ 942 | $ 8,632 |
| Depreciation and Amortization | 163 | 58 | — | 136 | 357 |
| Operating Income (Loss) | 579 | 358 | — | (69) | 868 |
| Total Assets | 2,982 | 1,350 | — | 2,841 | 7,173 |
| Capital Expenditures | 114 | 24 | — | 64 | 202 |
| **January 31, 2009** | | | | | |
| Net Sales | $5,604 | $2,374 | $ — | $1,065 | $ 9,043 |
| Depreciation and Amortization | 154 | 66 | — | 123 | 343 |
| Operating Income (Loss) | 405 | 215 | — | (31) | 589 |
| Total Assets | 3,086 | 1,446 | — | 2,440 | 6,972 |
| Capital Expenditures | 279 | 92 | — | 108 | 479 |
| **February 2, 2008** | | | | | |
| Net Sales | $5,607 | $2,494 | $870 | $1,163 | $10,134 |
| Depreciation and Amortization | 156 | 59 | 27 | 110 | 352 |
| Operating Income (Loss) (b) | 718 | 302 | 250 | (160) | 1,110 |
| Total Assets | 3,365 | 1,456 | — | 2,616 | 7,437 |
| Capital Expenditures | 315 | 112 | 37 | 285 | 749 |

(a) Results of Express and Limited Stores are included through July 6, 2007 and August 3, 2007, respectively, when the businesses were divested. Total assets for the Apparel segment as of February 2, 2008 are not included as the businesses were divested prior to that date.

(b) Operating income for Apparel for the fiscal year ended February 2, 2008 includes the gain on divestiture of Express of $302 million and the loss on divestiture of Limited Stores of $72 million.

The Company's international sales, including La Senza, Bath & Body Works Canada, Victoria's Secret Pink Canada and direct sales shipped internationally totaled $638 million in 2009, $655 million in 2008 and $611 million in 2007. The Company's internationally based long-lived assets were $407 million as of January 30, 2010 and $364 million as of January 31, 2009.

### 22. Subsequent Events

In February 2010, Limited Stores distributed a cash dividend to its owners and the Company received $7 million. For additional information, see Note 9, "Equity Investments and Other."

In March 2010, the Company prepaid the remaining $200 million of the Term Loan due in 2012. In conjunction with the Term Loan prepayment, the Company terminated the remaining portion of the participating interest rate swap arrangement totaling $200 million. The Company also amended its 5-Year Facility by reducing the credit available from $1 billion to $927 million as well as extending the term through August 2014 on $800 million of the $927 million. For additional information, see Note 12, "Long-term Debt" and Note 13, "Derivative Instruments."

In March 2010, Express distributed a cash dividend to its owners and the Company received $57 million. For additional information, see Note 9, "Equity Investments and Other."

In March 2010, the Company's Board of Directors declared a special dividend of $1 per share. In addition, the Company's Board of Directors authorized a share repurchase program of $200 million and cancelled the

Company's previous $250 million share repurchase program, which had $31 million remaining. For additional information, see Note 19, "Shareholders' Equity" and Note 20, "Share-based Compensation."

### 23. Quarterly Financial Data (Unaudited)

The following table provides summarized quarterly financial data for 2009:

| | Fiscal Quarter Ended | | | |
|---|---|---|---|---|
| | May 2, 2009 | August 1, 2009(b) | October 31, 2009(c) | January 30, 2010(d) |
| | (in millions except per share data) | | | |
| Net Sales | $1,725 | $2,067 | $1,777 | $3,063 |
| Gross Profit | 548 | 668 | 563 | 1,249 |
| Operating Income | 65 | 158 | 59 | 586 |
| Income Before Income Taxes | 3 | 99 | 12 | 536 |
| Net Income | 3 | 74 | 15 | 356 |
| Net Income Attributable to Limited Brands, Inc. | 3 | 74 | 15 | 356 |
| Net Income Attributable to Limited Brands, Inc. Per Basic Share (a) | $ 0.01 | $ 0.23 | $ 0.05 | $ 1.10 |
| Net Income Attributed to Limited Brands, Inc. Per Diluted Share (a) | $ 0.01 | $ 0.23 | $ 0.05 | $ 1.08 |

(a) 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.
(b) Includes the effect of a pre-tax gain of $9 million, after-tax of $14 million, associated with the reversal of an accrued contractual liability.
(c) Includes the effect of a tax benefit of $9 million related to certain discrete foreign and state income tax items.
(d) Includes the effect of a tax benefit of $23 million primarily related to the reorganization of certain foreign subsidiaries.

The following table provides summarized quarterly financial data for 2008:

| | Fiscal Quarter Ended | | | |
|---|---|---|---|---|
| | May 3, 2008(b) | August 2, 2008(c) | November 1, 2008 | January 31, 2009(d) |
| | (in millions except per share data) | | | |
| Net Sales | $1,925 | $2,284 | $1,843 | $2,991 |
| Gross Profit | 641 | 761 | 580 | 1,024 |
| Operating Income | 209 | 186 | 41 | 153 |
| Income Before Income Taxes | 176 | 164 | 3 | 110 |
| Net Income | 97 | 99 | 4 | 16 |
| Net Income Attributable to Limited Brands, Inc. | 98 | 102 | 4 | 16 |
| Net Income Attributable to Limited Brands, Inc. Per Basic Share (a) | $ 0.29 | $ 0.30 | $ 0.01 | $ 0.05 |
| Net Income Attributable to Limited Brands, Inc. Per Diluted Share (a) | $ 0.28 | $ 0.30 | $ 0.01 | $ 0.05 |

(a) 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.
(b) Includes the effect of the following items:
    (i) A pre-tax gain of $128 million related to the divestiture of a personal care joint venture.
    (ii) A pre-tax loss of $19 million related to an impairment charge of an unconsolidated joint venture.

(c) Includes the effect of a pre-tax gain of $13 million related to the $71 million distribution from Express.
(d) Includes the effect of the following items:
    (i) A $215 million impairment charge of goodwill and other intangible assets for the La Senza business.
    (ii) A $23 million related to restructuring activities.
    (iii) A tax benefit of $15 million related to certain discrete foreign and state income tax items.

**24. Supplemental Guarantor Financial Information**

The Company's 8.50% notes due in June 2019 are jointly and severally guaranteed on a full and unconditional basis by certain of the Company's wholly-owned subsidiaries. The Company is a holding company and its most significant assets are the stock of its subsidiaries. The guarantors represent (a) substantially all of the sales of the Company's domestic subsidiaries, (b) more than 90% of the assets owned by the Company's domestic subsidiaries, other than real property, certain other assets and intercompany investments and balances and (c) more than 95% of the accounts receivable and inventory directly owned by the Company's domestic subsidiaries.

The following supplemental financial information sets forth for the Company and its guarantor and non-guarantor subsidiaries: the Condensed Consolidating Balance Sheets as of January 30, 2010 and January 31, 2009 and the Condensed Consolidating Statements of Income and Cash Flows for the years ended January 30, 2010, January 31, 2009 and February 2, 2008.

## LIMITED BRANDS, INC.

## CONDENSED CONSOLIDATING BALANCE SHEET

**(in millions)**

| | January 30, 2010 | | | | |
|---|---|---|---|---|---|
| | Limited Brands, Inc. | Guarantor Subsidiaries | Non-guarantor Subsidiaries | Eliminations | Consolidated Limited Brands, Inc. |
| **ASSETS** | | | | | |
| Current Assets: | | | | | |
| Cash and Cash Equivalents | $ — | $ 1,441 | $ 363 | $ — | $1,804 |
| Accounts Receivable, Net | — | 191 | 28 | — | 219 |
| Inventories | — | 883 | 154 | — | 1,037 |
| Deferred Income Taxes | — | 34 | (4) | — | 30 |
| Other | — | 107 | 54 | (1) | 160 |
| Total Current Assets | — | 2,656 | 595 | (1) | 3,250 |
| Property and Equipment, Net | — | 1,049 | 674 | — | 1,723 |
| Goodwill | — | 1,318 | 124 | — | 1,442 |
| Trade Names and Other Intangible Assets, Net | — | 420 | 174 | — | 594 |
| Net Investments in and Advances to/from Consolidated Affiliates | 12,746 | 11,997 | 6,511 | (31,254) | — |
| Other Assets | 38 | 60 | 771 | (705) | 164 |
| Total Assets | $12,784 | $17,500 | $8,849 | $(31,960) | $7,173 |
| **LIABILITIES AND EQUITY** | | | | | |
| Current Liabilities: | | | | | |
| Accounts Payable | $ — | $ 309 | $ 179 | $ — | $ 488 |
| Accrued Expenses and Other | 30 | 389 | 274 | — | 693 |
| Income Taxes | 4 | 121 | 16 | — | 141 |
| Total Current Liabilities | 34 | 819 | 469 | — | 1,322 |
| Deferred Income Taxes | (9) | 30 | 192 | — | 213 |
| Long-term Debt | 2,723 | 608 | 81 | (689) | 2,723 |
| Other Long-term Liabilities | 25 | 551 | 170 | (15) | 731 |
| Total Equity | 10,011 | 15,492 | 7,937 | (31,256) | 2,184 |
| Total Liabilities and Equity | $12,784 | $17,500 | $8,849 | $(31,960) | $7,173 |

**LIMITED BRANDS, INC.**

**CONDENSED CONSOLIDATING BALANCE SHEET**

**(in millions)**

| | January 31, 2009 | | | | |
|---|---|---|---|---|---|
| | Limited Brands, Inc. | Guarantor Subsidiaries | Non-guarantor Subsidiaries | Eliminations | Consolidated Limited Brands, Inc. |
| **ASSETS** | | | | | |
| Current Assets: | | | | | |
| Cash and Cash Equivalents | $ — | $ 938 | $ 235 | $ — | $1,173 |
| Accounts Receivable, Net | — | 190 | 46 | — | 236 |
| Inventories | — | 1,026 | 163 | (7) | 1,182 |
| Deferred Income Taxes | — | 61 | 16 | — | 77 |
| Other | — | 128 | 72 | (1) | 199 |
| Total Current Assets | — | 2,343 | 532 | (8) | 2,867 |
| Property and Equipment, Net | — | 1,183 | 746 | — | 1,929 |
| Goodwill | — | 1,318 | 108 | — | 1,426 |
| Trade Names and Other Intangible Assets, Net | — | 421 | 159 | — | 580 |
| Net Investments in and Advances to/from Consolidated Affiliates | 12,659 | 11,720 | 9,100 | (33,479) | — |
| Other Assets | 18 | 98 | 759 | (705) | 170 |
| Total Assets | $12,677 | $17,083 | $11,404 | $(34,192) | $6,972 |
| **LIABILITIES AND EQUITY** | | | | | |
| Current Liabilities: | | | | | |
| Accounts Payable | $ — | $ 321 | $ 173 | $ — | $ 494 |
| Accrued Expenses and Other | 42 | 378 | 249 | — | 669 |
| Income Taxes | — | 35 | 57 | — | 92 |
| Total Current Liabilities | 42 | 734 | 479 | — | 1,255 |
| Deferred Income Taxes | (2) | 34 | 181 | — | 213 |
| Long-term Debt | 2,895 | 609 | 83 | (690) | 2,897 |
| Other Long-term Liabilities | 46 | 570 | 131 | (15) | 732 |
| Total Equity | 9,696 | 15,136 | 10,530 | (33,487) | 1,875 |
| Total Liabilities and Equity | $12,677 | $17,083 | $11,404 | $(34,192) | $6,972 |

Form 10-K

## LIMITED BRANDS, INC.

## CONDENSED CONSOLIDATING STATEMENTS OF INCOME

## (in millions)

| | 2009 | | | | |
|---|---|---|---|---|---|
| | Limited Brands, Inc. | Guarantor Subsidiaries | Non-guarantor Subsidiaries | Eliminations | Consolidated Limited Brands, Inc. |
| Net Sales | $ — | $ 8,205 | $ 2,314 | $(1,887) | $ 8,632 |
| Costs of Goods Sold, Buying and Occupancy | — | (5,445) | (1,907) | 1,748 | (5,604) |
| Gross Profit | — | 2,760 | 407 | (139) | 3,028 |
| General, Administrative and Store Operating Expenses | (2) | (2,043) | (262) | 141 | (2,166) |
| Impairment of Goodwill and Other Intangible Assets | — | — | (3) | — | (3) |
| Net Gain (Loss) on Joint Ventures | 9 | — | — | — | 9 |
| Operating Income (Loss) | 7 | 717 | 142 | 2 | 868 |
| Interest Expense | (234) | — | (13) | 10 | (237) |
| Interest Income | — | 12 | — | (10) | 2 |
| Other Income (Expense) | — | — | 16 | 1 | 17 |
| Income (Loss) Before Income Taxes | (227) | 729 | 145 | 3 | 650 |
| Provision (Benefit) for Income Taxes | — | 221 | (19) | — | 202 |
| Equity in Earnings, Net of Tax | 675 | 612 | 221 | (1,508) | — |
| Net Income (Loss) | 448 | 1,120 | 385 | (1,505) | 448 |
| Less: Net Income (Loss) Attributable to Noncontrolling Interest | — | — | — | — | — |
| Net Income (Loss) Attributable to Limited Brands, Inc. | $ 448 | $ 1,120 | $ 385 | $(1,505) | $ 448 |

| | 2008 | | | | |
|---|---|---|---|---|---|
| | Limited Brands, Inc. | Guarantor Subsidiaries | Non-guarantor Subsidiaries | Eliminations | Consolidated Limited Brands, Inc. |
| Net Sales | $ — | $ 8,588 | $ 2,396 | $(1,941) | $ 9,043 |
| Costs of Goods Sold, Buying and Occupancy | — | (5,924) | (1,959) | 1,846 | (6,037) |
| Gross Profit | — | 2,664 | 437 | (95) | 3,006 |
| General, Administrative and Store Operating Expenses | (13) | (2,093) | (304) | 99 | (2,311) |
| Impairment of Goodwill and Other Intangible Assets | — | — | (215) | — | (215) |
| Net Gain (Loss) on Joint Ventures | (9) | (1) | 119 | — | 109 |
| Operating Income (Loss) | (22) | 570 | 37 | 4 | 589 |
| Interest Expense | (176) | (1) | (16) | 12 | (181) |
| Interest Income | — | 27 | 3 | (12) | 18 |
| Other Income (Expense) | — | (1) | 24 | — | 23 |
| Income (Loss) Before Income Taxes | (198) | 595 | 48 | 4 | 449 |
| Provision (Benefit) for Income Taxes | (1) | 54 | 180 | — | 233 |
| Equity in Earnings, Net of Tax | 417 | 544 | 309 | (1,270) | — |
| Net Income (Loss) | 220 | 1,085 | 177 | (1,266) | 216 |
| Less: Net Income (Loss) Attributable to Noncontrolling Interest | — | — | (4) | — | (4) |
| Net Income (Loss) Attributable to Limited Brands, Inc. | $ 220 | $ 1,085 | $ 181 | $(1,266) | $ 220 |

## LIMITED BRANDS, INC.

## CONDENSED CONSOLIDATING STATEMENT OF INCOME

**(in millions)**

| | 2007 | | | | |
|---|---|---|---|---|---|
| | Limited Brands, Inc. | Guarantor Subsidiaries | Non-guarantor Subsidiaries | Eliminations | Consolidated Limited Brands, Inc. |
| Net Sales | $ — | $ 9,096 | $ 3,306 | $(2,268) | $10,134 |
| Costs of Goods Sold, Buying and Occupancy | — | (6,146) | (2,669) | 2,190 | (6,625) |
| Gross Profit | — | 2,950 | 637 | (78) | 3,509 |
| General, Administrative and Store Operating Expenses | (9) | (2,112) | (564) | 69 | (2,616) |
| Impairment of Goodwill and Other Intangible Assets | — | — | (13) | — | (13) |
| Gain (Loss) on Divestiture of Express | (6) | — | 308 | — | 302 |
| Loss on Divestiture of Limited Stores | (9) | — | (63) | — | (72) |
| Operating Income (Loss) | (24) | 838 | 305 | (9) | 1,110 |
| Interest Expense | (144) | — | (16) | 11 | (149) |
| Interest Income | — | 25 | 4 | (11) | 18 |
| Other Income (Expense) | 15 | 2 | 112 | (1) | 128 |
| Income (Loss) Before Income Taxes | (153) | 865 | 405 | (10) | 1,107 |
| Provision (Benefit) for Income Taxes | (2) | 144 | 269 | — | 411 |
| Equity in Earnings, Net of Tax | 869 | 896 | 473 | (2,238) | — |
| Net Income (Loss) | 718 | 1,617 | 609 | (2,248) | 696 |
| Less: Net Income (Loss) Attributable to Noncontrolling Interest | — | — | (22) | — | (22) |
| Net Income (Loss) Attributable to Limited Brands, Inc. | $ 718 | $ 1,617 | $ 631 | $(2,248) | $ 718 |

Form 10-K

**LIMITED BRANDS, INC.**

**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS**

**(in millions)**

| | 2009 | | | | |
|---|---|---|---|---|---|
| | Limited Brands, Inc. | Guarantor Subsidiaries | Non-guarantor Subsidiaries | Eliminations | Consolidated Limited Brands, Inc. |
| Net Cash Provided by (Used for) Operating Activities | $(279) | $1,004 | $ 449 | $ — | $1,174 |
| Investing Activities: | | | | | |
| Capital Expenditures | — | (120) | (82) | — | (202) |
| Net Proceeds from the Divestiture of Joint Venture | — | — | 9 | — | 9 |
| Proceeds from Sale of Assets | — | — | 32 | — | 32 |
| Net Investments in Consolidated Affiliates | — | — | (29) | 29 | — |
| Other Investing Activities | (3) | — | 2 | — | (1) |
| Net Cash Provided by (Used for) Investing Activities | (3) | (120) | (68) | 29 | (162) |
| Financing Activities: | | | | | |
| Proceeds from Long-term Debt, Net of Discount and Issuance Costs | 473 | — | — | — | 473 |
| Payments of Long-term Debt | (656) | — | — | — | (656) |
| Financing Costs Related to the Amendment of 5-Year Facility and Term Loan | (19) | — | — | — | (19) |
| Dividends Paid | (193) | — | — | — | (193) |
| Net Financing Activities and Advances to/from Consolidated Affiliates | 669 | (381) | (259) | (29) | — |
| Proceeds From Exercise of Stock Options and Other | 8 | — | — | — | 8 |
| Net Cash Provided by (Used for) Financing Activities | 282 | (381) | (259) | (29) | (387) |
| Effects of Exchange Rate Changes on Cash and Cash Equivalents | — | — | 6 | — | 6 |
| Net Increase (Decrease) in Cash and Cash Equivalents | — | 503 | 128 | — | 631 |
| Cash and Cash Equivalents, Beginning of Period | — | 938 | 235 | — | 1,173 |
| Cash and Cash Equivalents, End of Period | $ — | $1,441 | $ 363 | $ — | $1,804 |

## LIMITED BRANDS, INC.

## CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

**(in millions)**

| | 2008 | | | | |
|---|---|---|---|---|---|
| | Limited Brands, Inc. | Guarantor Subsidiaries | Non-guarantor Subsidiaries | Eliminations | Consolidated Limited Brands, Inc. |
| Net Cash Provided by (Used for) Operating Activities | $(174) | $ 990 | $ 138 | $ — | $ 954 |
| Investing Activities: | | | | | |
| Capital Expenditures | — | (366) | (113) | — | (479) |
| Net Proceeds from the Divestiture of Joint Venture | — | — | 159 | — | 159 |
| Return of Capital from Express | — | — | 95 | — | 95 |
| Net Investments in Consolidated Affiliates | — | (30) | (35) | 65 | — |
| Other Investing Activities | — | (5) | (10) | — | (15) |
| Net Cash Provided by (Used for) Investing Activities | — | (401) | 96 | 65 | (240) |
| Financing Activities: | | | | | |
| Payments of Long-term Debt | — | — | (15) | — | (15) |
| Dividends Paid | (201) | — | — | — | (201) |
| Repurchase of Common Stock | (379) | — | — | — | (379) |
| Excess Tax Benefits from Share-based Compensation | — | 1 | 1 | — | 2 |
| Net Financing Activities and Advances to/from Consolidated Affiliates | 724 | (554) | (105) | (65) | — |
| Proceeds From Exercise of Stock Options and Other | 30 | — | 1 | — | 31 |
| Net Cash Provided by (Used for) Financing Activities | 174 | (553) | (118) | (65) | (562) |
| Effects of Exchange Rate Changes on Cash and Cash Equivalents | — | — | 3 | — | 3 |
| Net Increase (Decrease) in Cash and Cash Equivalents | — | 36 | 119 | — | 155 |
| Cash and Cash Equivalents, Beginning of Period | — | 902 | 116 | — | 1,018 |
| Cash and Cash Equivalents, End of Period | $ — | $ 938 | $ 235 | $ — | $1,173 |

**LIMITED BRANDS, INC.**

**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS**

**(in millions)**

| | 2007 | | | | |
|---|---|---|---|---|---|
| | Limited Brands, Inc. | Guarantor Subsidiaries | Non-guarantor Subsidiaries | Eliminations | Consolidated Limited Brands, Inc. |
| Net Cash Provided by (Used for) Operating Activities | $ (129) | $ 922 | $ (28) | $ — | $ 765 |
| Investing Activities: | | | | | |
| Capital Expenditures | — | (473) | (276) | — | (749) |
| Net Proceeds from the Divestiture of Express | — | — | 547 | — | 547 |
| Proceeds from the Distribution from Easton Town Center, LLC | — | — | 102 | — | 102 |
| Proceeds from Sale of Assets | — | — | 97 | — | 97 |
| Net Investments in Consolidated Affiliates | — | 17 | 1,930 | (1,947) | — |
| Other Investing Activities | — | — | 33 | — | 33 |
| Net Cash Provided by (Used for) Investing Activities | — | (456) | 2,433 | (1,947) | 30 |
| Financing Activities: | | | | | |
| Proceeds from Long-term Debt, Net of Discount and Issuance Costs | 1,247 | — | — | — | 1,247 |
| Payments of Long-term Debt | — | — | (7) | — | (7) |
| Dividends Paid | (227) | — | — | — | (227) |
| Repurchase of Common Stock | (1,402) | — | — | — | (1,402) |
| Excess Tax Benefits from Share-based Compensation | — | 23 | 5 | — | 28 |
| Net Financing Activities and Advances to/from Consolidated Affiliates | 436 | 112 | (2,495) | 1,947 | — |
| Proceeds From Exercise of Stock Options and Other | 75 | — | 7 | — | 82 |
| Net Cash Provided by (Used for) Financing Activities | 129 | 135 | (2,490) | 1,947 | (279) |
| Effects of Exchange Rate Changes on Cash and Cash Equivalents | — | — | 2 | — | 2 |
| Net Increase (Decrease) in Cash and Cash Equivalents | — | 601 | (83) | — | 518 |
| Cash and Cash Equivalents, Beginning of Period | — | 301 | 199 | — | 500 |
| Cash and Cash Equivalents, End of Period | $ — | $ 902 | $ 116 | $ — | $ 1,018 |

## 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 REGISTERED PUBLIC ACCOUNTANTS” in our proxy statement to be filed on or about April 6, 2010 for the Annual Meeting of Stockholders to be held May 27, 2010 (the “Proxy Statement”) and is incorporated herein by reference.

There were no disagreements with accountants on accounting and financial disclosure.

## ITEM 9A. CONTROLS AND PROCEDURES.

*Evaluation of disclosure controls and procedures.* As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of the end of the period covered by this report, our disclosure controls and procedures were adequate and effective and designed to ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (2) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

*Management’s Report on Internal Control Over Financial Reporting*. Management’s Report on Internal Control Over Financial Reporting as of January 30, 2010 is set forth in Item 8. Financial Statements and Supplementary Data.

*Attestation Report of the Registered Public Accounting Firm*. The Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting as of January 30, 2010 is set forth in Item 8. Financial Statements and Supplementary Data.

*Changes in internal control over financial reporting.* In June 2009, Victoria’s Secret Stores implemented new supply chain management and finance systems and related processes in connection with an enterprise wide systems implementation. Various controls were modified due to the new systems. Additionally, subsequent to implementation, we established additional compensating controls over financial reporting to ensure the accuracy and integrity of our financial statements during the post-implementation phase. We believe that the system and process changes will enhance internal control over financial reporting in future periods. There were no other changes in our internal control over financial reporting that have occurred which have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## ITEM 9B. OTHER INFORMATION.

Not applicable.

## PART III

### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Information regarding our directors 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 Conduct and Related Person Transaction Policy”, “—Copies of the Company’s Code of Conduct, Corporate Governance Principles and Related Person Transaction Policy and Committee Charters”, and “—Security Ownership of Directors and Management” in 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 “Section 16(a) Beneficial Ownership Reporting Compliance” in the Proxy Statement and is incorporated herein by reference. Information regarding executive officers is set forth herein under the caption “EXECUTIVE OFFICERS OF THE REGISTRANT” in Part I.

### ITEM 11. EXECUTIVE COMPENSATION.

Information regarding executive compensation is set forth under the caption “COMPENSATION RELATED MATTERS” in the Proxy Statement and is incorporated herein by reference.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

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” in the Proxy Statement and “SHARE OWNERSHIP OF PRINCIPAL STOCKHOLDERS” in the Proxy Statement and is incorporated herein by reference.

The following table summarizes share and exercise price information about Limited Brands’ equity compensation plans as of January 30, 2010.

| Plan category | (a) Number of Securities to be issued upon exercise of outstanding options, warrants and rights | (b) Weighted-average exercise price of outstanding options, warrants and rights | (c) Number of securities remaining available for future issuance under equity compensation plan (excluding securities reflected in column (a)) |
|---|---|---|---|
| Equity compensation plans approved by security holders (1) | 24,412,538 | $17.26(2) | 14,020,046 |
| Equity compensation plans not approved by security holders | — | — | — |
| Total | 24,412,538 | $17.26 | 14,020,046 |

(1) Includes the following plans: Limited Brands, Inc. 1993 Stock Option and Performance Incentive Plan (2009 Restatement), Limited Brands, Inc. 1996 Stock Plan for Non-Associate Directors, 2003 Stock Award and Deferred Compensation Plan for Non-Associate Directors, and Intimate Brands, Inc. 1995 Stock Option and Performance Incentive Plan. In March 2002, awards then outstanding under the Intimate Brands, Inc. plan were converted into awards relating to 15,561,339 shares of Common Stock in connection with the merger of Intimate Brands, Inc. and a subsidiary of the Company.

(2) Does not include outstanding rights to receive Common Stock upon the vesting of restricted shares awards.

## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Information regarding certain relationships and related transactions is set forth under the caption "ELECTION OF DIRECTORS—Nominees and Directors" and "—Director Independence" in the Proxy Statement and is incorporated herein by reference.

## ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Information regarding principal accountant fees and services is set forth under the captions "INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS—Audit fees", "—Audit related fees", "—Tax fees", "—All other fees" and "—Pre-approval policies and procedures" in the Proxy Statement and is incorporated herein by reference.

## PART IV

### ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) (1) Consolidated Financial Statements

The following consolidated financial statements of Limited Brands, Inc. and subsidiaries are filed as part of this report under Item 8. Financial Statements and Supplementary Data:

Management's Report on Internal Control Over Financial Reporting

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

Report of Independent Registered Public Accounting Firm on Consolidated Financial Statements

Consolidated Statements of Income for the Years Ended January 30, 2010, January 31, 2009 and February 2, 2008

Consolidated Balance Sheets as of January 30, 2010 and January 31, 2009

Consolidated Statements of Total Equity for the Years Ended January 30, 2010, January 31, 2009 and February 2, 2008

Consolidated Statements of Cash Flows for the Years Ended January 30, 2010, January 31, 2009 and February 2, 2008

Notes to Consolidated Financial Statements

(a) (2) 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.

4.7 Amendment and Restatement Agreement with respect to the 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.

4.8 Amendment and Restatement Agreement with respect to the 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.

4.9 Amendment and Restatement Agreement (Revolving Credit Agreement), dated as of August 3, 2007, among Limited Brands, Inc., the Lenders party thereto, and JPMorgan Chase Bank, as Administrative Agent, under the Amended and Restated Five-Year Revolving Credit Agreement dated as of October 6, 2004, as amended and restated November 5, 2004 and March 22, 2006, incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 4, 2007.

4.10 364-Day Revolving Credit Agreement, dated as of August 3, 2007, among Limited Brands, Inc., the Lenders party thereto, and JPMorgan Chase Bank, as Administrative Agent, incorporated by reference to Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 4, 2007.

4.11 Amendment and Restatement Agreement (Term Loans), dated as of August 3, 2007, among Limited Brands, Inc., the Lenders party thereto, and JPMorgan Chase Bank, as Administrative Agent, under the Amended and Restated Term Loan Agreement dated as of October 6, 2004, as amended and restated as of November 5, 2004 and March 22, 2006, originally incorporated by reference to Exhibit 4.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 4, 2007. Refiled herewith as Exhibit 4.11.*

4.12 Amendment and Restatement Agreement (Term Loans), dated as of February 19, 2009, among Limited Brands, Inc., the Lenders party thereto, and JPMorgan Chase Bank, as Administrative Agent, under the Amended and Restated Term Loan Agreement dated as of October 6, 2004, as amended and restated as of November 5, 2004, March 22, 2006 and August 4, 2007, originally incorporated by reference to Exhibit 4.1 to the Company's Form 8-K dated February 25, 2009. Refiled herewith as Exhibit 4.12.*

4.13 Indenture, dated as of June 19, 2009, among Limited Brands, Inc, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee, incorporated by reference to Exhibit 4.1 to the Company's Form 8-K dated June 24, 2009.

4.14 Registration Rights Agreement, dated as of June 19, 2009, among Limited Brands, Inc., the guarantors named therein and J.P. Morgan Securities Inc., as representative of the initial purchasers, incorporated by reference to Exhibit 4.2 to the Company's Form 8-K dated June 24, 2009.

4.15 Amendment and Restatement Agreement (Revolving Credit Agreement), dated as of March 8, 2010, among Limited Brands, Inc., the Lenders party thereto, and JPMorgan Chase Bank, as Administrative Agent, under the Amended and Restated 5-Year Revolving Credit Agreement dated as of October 6, 2004, as amended and restated as of November 5, 2004, March 22, 2006 and August 4, 2007, and February 25, 2009, incorporated by reference to Exhibit 4.1 to the Company's Form 8-K dated March 9, 2010.

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 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.**

10.8 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.**

10.9 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.**

10.10 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.

10.11 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.**

10.12 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.**

10.13 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.**

10.14 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.**

10.15 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.**

10.16 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.**

10.17 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.**

10.18 Limited Brands, Inc. Stock Option Award Agreement incorporated by reference to Exhibit 10.29 to the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 2005.**

10.19 Form of Amended and Restated Aircraft Time Sharing Agreement between Limited Service Corporation and participating officers and directors incorporated by reference to Exhibit 10.30 to the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 2005.**

10.20 Form of Stock Ownership Guideline incorporated by reference to Exhibit 10.32 to the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 2005.**

10.21 Employment Agreement dated as of November 24, 2006 among Limited Brands, Inc., Victoria's Secret Direct, LLC, and Sharen Jester Turney incorporated by reference to Exhibit 10.28 to the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2007.**

10.22 Employment Agreement effective as of April 9, 2007 among Limited Brands, Inc. and Stuart Burgdoerfer incorporated by reference to Exhibit 10.1 to the Company's Form 8-K dated April 11, 2007.**

10.23 Amendment to Employment Agreement dated as of March 28, 2008 among Limited Brands, Inc., and Sharen Jester Turney incorporated by reference to Exhibit 10.24 to the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2008.**

10.24 Limited Brands, Inc. 1993 Stock Option and Performance Incentive Plan (2009 Restatement) incorporated by reference to Exhibit 99.1 to the Company's Registration Statement on Form S-8 (File no. 333-161841) dated September 10, 2009.**

10.25 Employment Agreement dated as of October 18, 2006 among Limited Brands, Inc., Bath & Body Works Brand Management, Inc., and Diane L. Neal and Amendment to Employment Agreement dated September 5, 2008 originally incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarter-ended August 2, 2008. Refiled herewith as Exhibit 10.25.**

12. Computation of Ratio of Earnings to Fixed Charges.

14. Code of Ethics—incorporated by reference to the definitive Proxy Statement to be filed on or about April 6, 2010.

21. Subsidiaries of the Registrant.

23.1 Consent of Ernst & Young 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).

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* Identifies instruments defining the rights of security holders that were re-filed in conjunction with the 2009 Form 10-K due to the omission of certain exhibits within the original filing.

** 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.

(c) Not applicable.

## 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: March 26, 2010

LIMITED BRANDS, INC. (registrant)

By /s/ STUART B. BURGDOERFER

Stuart B. Burgdoerfer,
Executive Vice President,
Chief Financial Officer *

* Mr. Burgdoerfer is the principal financial officer and the principal accounting officer and has been duly authorized to sign on behalf of the Registrant.

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 30, 2010:

| Signature | Title |
|---|---|
| /s/ LESLIE H. WEXNER**<br>Leslie H. Wexner | Chairman of the Board of Directors and Chief Executive Officer |
| /s/ DENNIS S. HERSCH**<br>Dennis S. Hersch | Director |
| /s/ JAMES L. HESKETT**<br>James L. Heskett | Director |
| /s/ DONNA A. JAMES**<br>Donna A. James | Director |
| /s/ DAVID T. KOLLAT**<br>David T. Kollat | Director |
| /s/ WILLIAM R. LOOMIS, JR.**<br>William R. Loomis, Jr. | Director |
| /s/ JEFFREY H. MIRO**<br>Jeffrey H. Miro | Director |
| /s/ JEFFREY B. SWARTZ**<br>Jeffrey B. Swartz | Director |
| /s/ ALLAN R. TESSLER**<br>Allan R. Tessler | Director |
| /s/ ABIGAIL S. WEXNER**<br>Abigail S. Wexner | Director |

| **Signature** | **Title** |
|---|---|
| /s/ RAYMOND ZIMMERMAN** <br> 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/ MARTYN R. REDGRAVE

Martyn R. Redgrave
Attorney-in-fact

# Executive Officers

**Leslie H. Wexner**

Chairman and Chief Executive Officer
Limited Brands, Inc.

**Martyn R. Redgrave**

Executive Vice President and Chief Administrative Officer
Limited Brands, Inc.

**Stuart B. Burgdoerfer**

Executive Vice President and Chief Financial Officer
Limited Brands, Inc.

**Diane L. Neal**

Chief Executive Officer
Bath and Body Works

**Sharen J. Turney**

President and Chief Executive Officer
Victoria's Secret

**Jane L. Ramsey**

Executive Vice President, Human Resources
Limited Brands, Inc.

# Board of Directors

**Leslie H. Wexner** **5**

Chairman and Chief Executive Officer, Limited Brands, Inc.
*Columbus, Ohio*

**Dennis S. Hersch** **3**

President, N.A. Property, Inc.
*New York, New York*

**James L. Heskett** **2, 4**

Baker Foundation Professor Emeritus, Graduate School of Business Administration, Harvard University
*Boston, Massachusetts*

**Donna A. James** **1, 4**

Managing Director, Lardon & Associates LLC
*Columbus, Ohio*

**David T. Kollat** **2, 3**

Chairman, 22, Inc.
*Westerville, Ohio*

**William R. Loomis Jr.** **1, 3**

Investor
*Santa Barbara, California*

**Jeffrey H. Miro** **2, 4**

Partner, Honigman Miller Schwartz and Cohn LLP
*Bloomfield Hills, Michigan*

**Jeffrey B. Swartz**

President and Chief Executive Officer, The Timberland Company
*Stratham, New Hampshire*

**Allan R. Tessler** **1, 3, 4, 5**

Chairman and Chief Executive Officer,
International Financial Group, Inc.
*Wilson, Wyoming*

**Abigail S. Wexner** **3**

Attorney at Law
*Columbus, Ohio*

**Raymond Zimmerman** **1, 3**

Chief Executive Officer, Service Merchandise, LLC
*Boca Raton, Florida*

**1** Member of the Audit Committee
**2** Member of the Compensation Committee
**3** Member of the Finance Committee
**4** Member of the Nominating and Governance Committee
**5** Member of the Executive Committee

# Company Information

**Headquarters**

Limited Brands, Inc.
Three Limited Parkway
Columbus, Ohio 43230

614.415.7000
www.LimitedBrands.com

**Annual Meeting of Stockholders**

9:00 A.M., Thursday, May 27, 2010
Three Limited Parkway
Columbus, Ohio 43230

**Stock Exchange Listing**

New York Stock Exchange
Trading Symbol "LTD"

**Independent Public Accountants**

Ernst & Young LLP
Columbus, Ohio

**Information Requests**

| | |
|---|---|
| Through our Web site: | www.LimitedBrands.com |
| Upon written request to: | Limited Brands, Investor Relations<br>Three Limited Parkway<br>Columbus, Ohio 43230 |
| By calling: | 614.415.6400 |

**Stock Transfer Agent, Registrar and Dividend Agent**

BNY Mellon Shareholder Services
P.O. Box 3338
South Hackensack, NJ 07606-1936

866.875.7975
shrrelations@mellon.com

**Limited Brands, Inc.**

Founded 1963

*as of January 30, 2010:*
Number of associates: 92,100
Approximate shareholder base: 145,000


**Available on our Web site, www.LimitedBrands.com**

- Calendar of monthly sales and quarterly earnings dates
- Live webcasts of the quarterly earnings conference calls
- Audio replays of monthly sales and quarterly earnings calls. Replays are also available by dialing 1-866-NEWS-LTD (1-866-639-7583).

# NYSE Certification Statement

Our Chief Executive Officer and Chief Financial Officer have filed the certifications required by Section 302 of the Sarbanes-Oxley Act of 2002 with the Securities and Exchange Commission as exhibits to our Form 10-K for the fiscal year ended January 30, 2010. In addition, our Chief Executive Officer filed a separate annual certification to the New York Stock Exchange following our annual shareholders' meeting on May 28, 2009.

# ADMITTANCE SLIP
# 2010 ANNUAL MEETING OF STOCKHOLDERS

***Date, Time and Place of Meeting:***

**Date:** Thursday, May 27, 2010

**Time:** 9:00 a.m., Eastern Time

**Place:** Limited Brands, Inc.
Three Limited Parkway
Columbus, Ohio 43230

***Attending the Meeting:***

Stockholders who plan to attend the meeting in person must bring this admittance slip and a photo identification to gain access. Because of necessary security precautions, bags, purses and briefcases may be subject to inspection. To speed the admissions process, stockholders are encouraged to bring only essential items. Cameras, camcorders or video taping equipment are not allowed. Photographs or video taken by Limited Brands at the meeting may be used by Limited Brands. By attending, you waive any claim or rights to these photographs.

For more information about attending the annual meeting, please visit the website at **http://www.limitedbrands.com/faq/investor.jsp** or contact Limited Brands Investor Relations at (614) 415-7076.

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