Limitedbrands

Proxy Statement for the
2009 Annual Meeting of Stockholders
and 2008 Annual Report

Limitedbrands

Dear Shareholder,

2008 was a year of sweeping changes and economic crisis . . . everyone was touched by it.

Our year started out well. In fact, through the first three quarters of 2008, we were making steady progress and were pleased with our bottom-line result. But by October, the collective impact of the economic downturn affected everyone. Consumers reacted by severely reducing spending across all categories, significantly impacting our fourth quarter, the year and our view of 2009. There are times to play offense – and times to play defense. As the world changed, we shifted to defense . . . safety and security.

We always put the "safety" of the enterprise first – it is my overarching concern . . . all stakeholders must have confidence in the stability and security of the enterprise in the present and future.

Defense means managing the financial aspects of our business even more conservatively than before. Our inventory is more tightly managed. Inventory per square foot has been down for 19 consecutive months and, on a two-year basis, is down 35 percent. We continue to look for ways to improve speed and replenishment, making sure our assortment is fresh and appealing.

We've taken the same conservative approach to expenses, and the aggregate savings are significant:

- Over the past 18 months, we reduced our expense base by $150 million, and we reduced home office headcount by 20 percent.
- We're also targeting further non-customer-facing expense reductions across the enterprise, everything from smarter travel and more efficient marketing, to cutting administrative spending.
- We expect these actions to result in additional annualized expense savings of $200 to $250 million.

At the same time, we have significantly reduced our capital spending, from a high of $749 million in 2007, to $479 million in 2008, to roughly $200 million in 2009. Importantly, our real estate is in very good shape, with almost every location cash-flow positive. We're diligent about staying on top of our real estate portfolio, making sure we're in the best locations for our brands.

Our liquidity and cash position are strong, and we continue to generate significant free cash flow. Our free cash flow in 2008 was $475 million, and we ended the year with $1.2 billion in cash. In 2009, we expect to generate another $350 to $450 million in free cash flow.

Inventory, expense, capital and cash management are critical in any environment, and none more so than now. However, priority one remains staying customer focused . . . maximizing sales and capitalizing on opportunities . . . focusing on our core priorities – the customer and the fundamentals of the business.

We're in the right businesses. Beauty and lingerie have wonderful attributes that combine the best of "I need it" and "I want it."

- Our brands lead the beauty and lingerie categories in ways that are unprecedented in retailing.
- They have high emotional content, accessible price points and a loyal customer base.

For Victoria's Secret, the core of the brand is bras and panties. We see clear opportunities for substantial growth in these categories – by focusing on newness and innovation, expanding into under-penetrated market segments and refining our strategy. We're inspired by a love for lingerie and the desire to bring sexy and glamour into every woman's lingerie drawer.

The Victoria's Secret Beauty business continues to improve, with more newness, more product launches and improved merchandising that is more consistent with the overall brand position: always sexy, glamorous, forever young and ultra-feminine.

Victoria's Secret Direct, including catalogue and one of the most popular sites on the Web, has been a significant contributor to the marketing and growth of the Victoria's Secret brand. We now have the infrastructure in place to support growth well into the future, as proven by our new state-of-the-art distribution center that delivered multiple record sales days during the holidays. Our direct channel is our best brand advertising. It leverages all parts of the business and is an important sales contributor, nationally and internationally.

PINK has also been a major profit and growth contributor to Victoria's Secret, but it's been much more than that. It has brought vitality, youth, energy and an all-new customer base to Victoria's Secret. PINK is a standout, and the PINK team has a laser-like focus on their customer and how to continue to delight her.

For Bath & Body Works, our core priorities are Signature Collection, "anti-bac" and home fragrance, which together make up the majority of sales and profits for the brand. Again, it's all about focusing on the customer and giving her compelling products. Bath & Body Works made major progress on both getting closer to the customer and in successful new product launches with the recent rollout of the redesigned Signature Collection.

The Bath & Body Works team is applying the same design standards to "anti-bac" that were used for Signature Collection. We're expanding categories and SKUs significantly, and introducing new scents, new packaging and new, improved formulas. In so doing, we're reinvigorating the brand, re-engaging current customers and attracting new ones.

In the home fragrance category, we're getting real traction with our customers, who are discovering new ways to "decorate" their homes. Home fragrance, like all parts of the Bath & Body Works business, has great seasonal choices and perfect year-round, affordable gifts. The quality and sophistication of our home fragrance collection are improved, and we're testing assortment and marketing initiatives that are producing growth.

Our acquisition of La Senza gave us the number two lingerie brand in North America. Canada – and as a result, La Senza – are not immune to the global economic crisis. So going forward, we will focus on the key priorities that maximize sales and profits, just as we are with all our brands.

We've successfully begun the expansion of our brands into Canada, with the opening of six Bath & Body Works stores this past fall. Their performance to date has been nothing short of amazing. Currently, they're doing two-and-a-half times the volume of a U.S. store, and customers continue to line up. Canada loves Bath & Body Works, so in 2009, we will open 20 to 25 additional Bath & Body Works stores, as well as our first PINK stores and, in 2010, we will introduce Victoria's Secret.

Our success in Canada solidifies my confidence that our brands also have tremendous growth potential outside North America. The team of talented people we've built over the past year has been active and productive – exploring and meeting with potential partners around the globe – and the awareness and desire for both Victoria's Secret and Bath & Body Works have been overwhelming.

In sum, we're striking the right balance between defense and offense. We're well-positioned with best brands and steady cash flow, and we'll emerge from this recession stronger than ever. Our businesses are the right ones and so are our priorities. We'll always be customer-focused – and focused on growth.

Sincerely,

Leslie H. Wexner
Chairman and Chief Executive Officer

Proxy Statement

Notice of
Annual Meeting of Stockholders
and Proxy Statement

May 28, 2009

Limitedbrands

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on May 28, 2009: The proxy statement and annual report to stockholders are available at *http://www.proxyvote.com.*

Limitedbrands

April 8, 2009

DEAR STOCKHOLDER:

You are cordially invited to attend our 2009 annual meeting of stockholders to be held at 9:00 a.m., Eastern Time, on May 28, 2009, at our offices located at Three Limited Parkway, Columbus, Ohio 43230. Our Investor Relations telephone number is (614) 415-7076 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 on the inside back cover 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

Limitedbrands

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

May 28, 2009

April 8, 2009

TO OUR STOCKHOLDERS:

We are pleased to invite you to attend our 2009 annual meeting of stockholders to:

- Elect three directors to serve for a three-year term as described in the accompanying proxy statement.
- Ratify the appointment of our independent registered public accountants.
- Vote on a proposal to approve the 2009 Restatement of the 1993 Stock Option and Performance Incentive Plan.
- Vote on a proposal to amend the Certificate of Incorporation to provide for the annual election of directors.
- Transact such other business as may properly come before the meeting.

Stockholders of record at the close of business on March 30, 2009 may vote at the meeting. **If you plan to attend, please bring the Admittance Slip located on the inside back cover 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

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INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

The Board of Directors of Limited Brands, Inc. is soliciting your proxy to vote at our 2009 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 8, 2009 to all stockholders entitled to vote. Limited Brands' 2008 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 28, 2009
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 on the inside back cover of this proxy statement. 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 30, 2009. As of the record date, there were 320,996,436 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 three nominees for director (as described on page 4).
- "FOR" the ratification of the appointment of our independent registered public accountants (as described on page 10).

- "FOR" the proposal to approve the 2009 Restatement of the 1993 Stock Option and Performance Incentive Plan (as described on pages 11-18).
- The Board is not making a recommendation as to the proposal to amend the Certificate of Incorporation to provide for the annual election of directors (as described on page 19). Accordingly, the designated proxies will not cast a vote "FOR" or "AGAINST" this item unless specifically instructed.

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 30, 2009, 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 and 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.
- The proposal to approve the 2009 Restatement of the 1993 Stock Option and Performance Incentive Plan requires the affirmative vote by a majority of votes cast, provided that the total votes cast on the proposal represents over 50% of all shares entitled to vote on the proposal.
- The proposal to amend the Certificate of Incorporation to provide for the annual election of directors requires the affirmative vote of at least 75% of the outstanding shares entitled to vote at the annual meeting.

Impact of Abstentions and Broker Non-Votes

You may "abstain" from voting for any nominee in the election of directors and on the other proposals. Abstentions will not count as a vote cast with respect to a director's election or ratification of Ernst & Young LLP, will be excluded entirely from the vote and will have no effect. Shares voting "abstain" on the other proposals will be counted as present at the annual meeting and your abstention will have the effect of a vote against the proposal.

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 election of directors and the ratification of Ernst & Young LLP, even if it does not receive voting instructions from you. Your broker may not vote your shares on the proposal to approve the 2009 Restatement of the 1993 Stock Option and Performance Incentive Plan or the proposal to amend the Certificate of Incorporation to provide for the annual 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. A broker non-vote will affect the requirement with respect to the total vote cast for the approval of the 2009 Restatement of the 1993 Stock Option and Performance Incentive Plan and will have the effect of a vote against the proposal to amend the Certificate of Incorporation.

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 three directors for election at the annual meeting. If you elect the three nominees, they will hold office for a three-year term expiring at the 2012 annual meeting or until their successors have been elected. All nominees are currently serving on our 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 2009 Annual Meeting.

James L. Heskett — *Director since 2002* — *Age 75*

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.

Allan R. Tessler — *Director since 1987* — *Age 72*

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. Since January 1997, Mr. Tessler has also served as Chairman of Checker Holdings Corp. IV. Mr. Tessler has served as a director of TD Ameritrade, a securities brokerage company, since November 2006.

Abigail S. Wexner — *Director since 1997* — *Age 47*

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.

Directors Whose Terms Continue Until 2010 Annual Meeting.

Dennis S. Hersch — *Director since 2006* — *Age 62*

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, 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.

David T. Kollat *Director since 1976* *Age 70*

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.

William R. Loomis, Jr. *Director since 2005* *Age 60*

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.

Leslie H. Wexner *Director since 1963* *Age 71*

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.

Directors Whose Terms Continue until 2011 Annual Meeting

Donna A. James *Director since 2003* *Age 51*

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. 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.

Jeffrey H. Miro *Director since 2006* *Age 66*

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 until May 2006.

Jeffrey B. Swartz *Director since 2005* *Age 49*

Mr. Swartz is the President and Chief Executive Officer, as well as a director, of The Timberland Company, a premium-quality footwear, apparel and accessories company, a position he has held since 1998.

Raymond Zimmerman *Director since 1984* *Age 76*

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 is the Chief Executive Officer of Service Merchandise LLC.

Director Independence

The Board has determined that each of the individuals nominated to serve on the Board of Directors, other than Abigail S. Wexner, together with each of the members of the Board who will continue to serve after the 2009 annual meeting of stockholders (except for Dennis S. Hersch and Leslie H. 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.

Information Concerning the Board of Directors

Meeting Attendance.

Our Board of Directors held 7 meetings in fiscal year 2008. During fiscal year 2008, all of the directors 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 49 of this proxy statement. The Audit Committee held 12 meetings in fiscal year 2008.

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 2008 the members of the Compensation Committee were Dr. Heskett (Chair) and Messrs. Miro and Swartz. All such individuals continue to serve on such Committee. In March 2009, the Board also appointed Dr. Kollat to the Compensation 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 45 of this proxy statement. The Compensation Committee held 9 meetings in fiscal year 2008.

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 Messrs. Tessler (Chair) and Hersch, Dr. Kollat, Mr. Loomis, Mrs. Wexner and Mr. Zimmerman.

The Finance Committee held 4 meetings in fiscal year 2008.

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.

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 4 meetings in fiscal year 2008.

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 Chairman 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, an independent 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 more than a majority have done so. All of the then current Board members attended the 2008 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 stockholders of the Company, 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 Operating Officer, 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 Policy"). Under the Related Person 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 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 30, 2010. 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 50.

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.

PROPOSED 2009 RESTATEMENT OF THE 1993 STOCK OPTION AND PERFORMANCE INCENTIVE PLAN

Subject to stockholder approval, Limited Brands' Board of Directors has adopted the 2009 Restatement of the 1993 Stock Option and Performance Incentive Plan (the "2009 Plan"). The 2009 Plan is being submitted to stockholders for (i) approval of the performance goals and individual grant limits as provided herein in order to comply with certain provisions of 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) the issuance of an additional 2,000,000 shares of Common Stock over its predecessor plan. The 2009 Plan will expire on May 28, 2014. The 2009 Plan has also been revised to expand the eligibility provisions so as to provide for the grants to associates, consultants or other advisors or individuals who provide services to the Company and its subsidiaries or affiliates or to any joint venture in which the Company holds, directly or indirectly, at least a 40% interest. The following summary of the material terms of the 2009 Plan, a copy of which is attached hereto as Appendix A, does not purport to be complete and is qualified in its entirety by the terms of the 2009 Plan. In the event that the 2009 Plan is not approved by our stockholders, awards will continue to be made under the 2008 Restatement of the 1993 Stock Option and Performance Incentive Plan (the "2008 Plan").

The Board of Directors recommends that you vote FOR approval of the 2009 Plan.

Purpose of the 2009 Plan

The purpose of the 2009 Plan is to attract and retain the best available executive and key management associates, consultants and other advisors for Limited Brands and its subsidiaries and to encourage the highest level of performance by such associates, consultants and other advisors, thereby enhancing the value of Limited Brands for the benefit of its stockholders: The 2009 Plan is also intended to motivate executive and key management associates and consultants and other advisors to contribute to Limited Brands' future growth and profitability and to reward their performance in a manner that provides them with a means to increase their holdings of the Common Stock of Limited Brands and aligns their interest with the interests of the stockholders of Limited Brands.

Administration of the 2009 Plan

The 2009 Plan will be administered by the Compensation Committee of Limited Brands' Board of Directors, the Compensation Committee. The Compensation Committee will be composed of directors who qualify as "non-employee directors" within the meaning of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), and as "outside directors" within the meaning of Section 162(m) of the Code. The Compensation Committee has the power in its discretion to grant awards under the 2009 Plan, to determine the terms thereof, to interpret the provisions of the 2009 Plan and to take action as it deems necessary or advisable for the administration of the 2009 Plan.

Number of Authorized Shares

The 2009 Plan provides for awards with respect to a maximum of 18,996,252 shares of Common Stock to associates of Limited Brands and its subsidiaries (composed of 2,000,000 shares for which stockholder approval is being requested, which constitutes 0.6% of Limited Brands' outstanding 320,951,608 shares of Common Stock as of January 31, 2009, plus 16,996,252 previously authorized and unissued shares under the 2008 Plan as of January 31, 2009), plus shares of Common Stock issuable upon the exercise of Substitute Awards. Corresponding Tax Offset Payments (as hereinafter defined) also may be awarded at the discretion of the Compensation Committee. The number and class of shares available under the 2009 Plan and/or subject to outstanding awards may be adjusted by the Compensation Committee to prevent dilution or enlargement of rights in the event of various changes in the capitalization of Limited Brands. "Substitute Awards" are awards granted in assumption of or in substitution for any outstanding awards granted by a company acquired by Limited Brands or with which Limited Brands combines. Shares of Common Stock, other than under Substitute Awards, attributable to: (i) unexercised Options (as hereinafter defined) which expire or are terminated, surrendered or cancelled (other than in connection with the exercise of stock appreciation rights ("SARs")); (ii) shares of Common Stock of Limited Brands subject to certain restrictions ("Restricted Shares") which are forfeited to Limited Brands, including shares relating to Restricted Share Units; (iii) units representing shares of Common Stock ("Performance Shares") and units which do not represent shares of Common Stock but which may be paid in Common Stock ("Performance Units") which are not earned and paid; and (iv) awards settled in cash in lieu of shares of Common Stock, may be available for subsequent award under the 2009 Plan at the Compensation Committee's discretion to the extent permissible under Rule 16b-3 of the Exchange Act. No more than 12,379,939 shares of Common Stock may be issued other than pursuant to awards of Options or SARs under the 2009 Plan.

Eligibility and Participation

Eligibility to participate in the 2009 Plan is limited to associates, consultants or other advisors or individuals who provide services to (i) the Company or any of its subsidiaries or affiliates, or (ii) any joint venture in which the Company or any of its subsidiaries or affiliates hold at least a 40% interest, and who, in each case, are selected to participate in the 2009 Plan by the Compensation Committee. Currently, approximately 5,000 associates of Limited Brands and its subsidiaries are within the classes eligible to participate in the 2009 Plan. Limited Brands anticipates that approximately 25% of those eligible will participate in the 2009 Plan. Participation in the 2009 Plan is at the discretion of the Compensation Committee and shall be based upon the person's present and potential contributions to the success of Limited Brands and its subsidiaries and such other factors as the Compensation Committee deems relevant. No participant may be granted in any calendar year, awards covering more than 2,000,000 shares of Common Stock.

Type of Awards Under the 2009 Plan

The 2009 Plan provides that the Compensation Committee may grant awards to eligible participants in any of the following forms, subject to such terms, conditions and provisions as the Compensation Committee may determine to be necessary or desirable: (i) incentive stock options ("ISOs"), (ii) nonstatutory stock options ("NSOs"), (iii) SARs, (iv) Restricted Shares, which may be granted in the form of Restricted Share Units, (v) Performance Shares, (vi) Performance Units, (vii) shares of unrestricted Common Stock ("Unrestricted Shares") and (viii) tax offset payments ("Tax Offset Payments").

Grant of Options and SARs

The Compensation Committee may award ISOs and/or NSOs (collectively, "Options") to eligible participants. ISOs may be awarded only to eligible associates. SARs may be awarded either in tandem with Options ("Tandem SARs") or on a stand-alone basis ("Nontandem SARs"). Tandem SARs may be awarded by the Compensation Committee either at the time the related Option is granted or thereafter at any time prior to the exercise, termination or expiration of the related Option.

Exercise Price

The exercise price with respect to an Option is determined by the Compensation Committee at the time of grant. The exercise price determined with respect to an Option shall also be applicable in connection with the exercise of any Tandem SAR granted with respect to such Option. At the time of grant of a Nontandem SAR, the Compensation Committee will specify the base price of the shares of Common Stock to be issued for determining the amount of cash or number of shares of Common Stock to be distributed upon the exercise of such Nontandem SAR. Except with respect to Substitute Awards, neither the exercise price per share of Common Stock nor the base price of Nontandem SARs will be less than 100% of the fair market value per share of the Common Stock underlying the award on the date of grant. Information as to awards granted under the 2008 Plan to named executives, officers and other participants in respect of the 2008 fiscal year is set forth elsewhere in this proxy statement.

Vesting

The Compensation Committee may determine at the time of grant and any time thereafter, the terms under which Options and SARs shall vest and become exercisable.

Special Limitations on ISOs

No ISO may be granted to an associate who owns, at the time of the grant, stock representing more than 10% of the total combined voting power of all classes of stock of Limited Brands (a "10% Stockholder"), unless the exercise price per share of Common Stock for the shares subject to such ISO is at least 110% of the fair market value per share of Common Stock on the date of grant and such ISO award is not exercisable more than five years after its date of grant. In addition, the total fair market value of shares of Common Stock subject to ISOs which are exercisable for the first time by an eligible associate in a given calendar year shall not exceed $100,000, valued as of the date of the ISOs' grant. ISOs may not be granted more than ten years after the date of adoption of the Plan by the Board.

Exercise of Options and SARs

An Option may be exercised by written notice to the Compensation Committee stating the number of shares of Common Stock with respect to which the Option is being exercised, and tendering payment therefor. The Compensation Committee may, at its discretion, accept shares of Common Stock as payment (valued at their fair market value on the date of exercise).

Tandem SARs are exercisable only to the extent that the related Option is exercisable and only for the period determined by the Compensation Committee (which period may expire prior to the expiration date of the related Option). Upon the exercise of all or a portion of Tandem SARs, the related Option shall be cancelled with respect to an equal number of shares of Common Stock. Similarly, upon exercise of all or a portion of an Option, the related Tandem SARs shall be cancelled with respect to an equal number of shares of Common Stock. Nontandem SARs shall be exercisable for the period determined by the Compensation Committee.

Surrender or Exchange of SARs

Upon the surrender of a Tandem SAR and cancellation of the related unexercised Option, the participant will be entitled to receive shares of Common Stock having an aggregate fair market value equal to (A) the excess of (i) the fair market value of one share of Common Stock as of the date the Tandem SAR is exercised over (ii) the exercise price per share specified in such Option, multiplied by (B) the number of shares of Common Stock subject to the Option, or portion thereof, which is surrendered. Upon surrender of a Nontandem SAR, the associate will be entitled to receive shares of Common Stock having an aggregate fair market value equal to (A) the excess of (i) the fair market value of one share of Common Stock as of the date on which the Nontandem SAR is exercised over (ii) the base price of the shares covered by the Nontandem SAR multiplied by (B) the number of shares of Common Stock covered by the Nontandem SAR, or the portion thereof being exercised. The Compensation Committee, in its discretion, may cause all or any portion of Limited Brands' obligation to a participant in respect of the exercise of a SAR to be satisfied in cash in lieu of Common Stock. Any fractional shares resulting from the exercise of a SAR will be paid in cash.

Nontransferability of Options and SARs

Options and SARs may not be transferred, assigned, pledged or hypothecated except by will or applicable laws of descent and distribution.

Expiration of Options

Options will expire at such time as the Compensation Committee determines; provided, however, that no Option may be exercised more than ten years from the date of grant, unless an ISO is held by a 10% Stockholder, in which case such ISO may not be exercised more than five years from the date of grant.

Expiration of SARs

SARs will expire at such time as the Compensation Committee determines; provided, however, that no SAR may be exercised more than ten years from the date of grant.

Termination of Options and SARs

Except as the Compensation Committee may at any time provide, Options and SARs may be exercised within one year (30 days if termination of employment is for cause, as defined in the 2009 Plan) after the termination of a participant's employment (other than by death or total disability), to the extent then exercisable, but in no case later than the term specified in the grant. Except as the Compensation Committee may at any time provide, upon the death of a participant while employed by Limited Brands or its subsidiaries, Options and SARs, to the extent then exercisable, shall remain exercisable for one year following such participant's death. Except as the Compensation Committee may at any time provide, in the event that a participant to whom an Option or SAR has been granted under the 2009 Plan shall become totally disabled, such Option or SAR may be exercised at any time within three (3) months after the participant's employment is terminated as a result of such total disability.

Restricted Shares

Restricted Shares granted to participants under the 2009 Plan may not be sold, transferred, pledged or otherwise encumbered or disposed of during the restricted period established by the Compensation Committee. The Compensation Committee may also impose additional restrictions on a participant's right to dispose of or to encumber Restricted Shares, which may include satisfaction of performance objectives. Performance objectives under the 2009 Plan will be determined by the Compensation Committee and will be based on any one or more of the following: price of Company Common Stock or the stock of any affiliate, stockholder return, return on equity, return on investment, return on capital, sales productivity, comparable store sales growth, economic profit, economic value added, net income, operating income, gross margin, sales, free cash flow, earnings per share, operating company contribution or market share. These factors shall have a minimum performance standard below which no payments will be made, and a maximum performance standard at or above which no incremental payments will be made. These performance goals may be based on an analysis of historical performance and growth expectations for the business, financial results of other comparable businesses, and progress towards achieving the long-range strategic plan for the business. These performance goals and determination of results shall be based entirely on financial measures. The Compensation Committee may not use any discretion to modify award results except as permitted under Section 162(m) of the Code.

Except as the Compensation Committee may at any time provide, holders of Restricted Shares may not exercise the rights of a stockholder, such as the right to vote the shares or receive dividends and other distributions, prior to the vesting of the shares.

Upon the death of a participant, the restrictions applicable to Restricted Shares held by such participant will lapse. Except as the Compensation Committee may at any time provide, upon termination of the participant's employment with Limited Brands, Restricted Shares granted to such participant shall be forfeited.

Restricted Share Units

The Compensation Committee may permit a participant who has been designated to receive a Restricted Share award to elect to receive such Restricted Share award in the form of Restricted Share Units. A "Restricted Share Unit" represents the right to receive a share of Common Stock in the future, provided that the restrictions and conditions designated by the Compensation Committee at the time of grant are satisfied. Such Restricted Share Unit award shall be subject to the same restrictions, conditions and forfeiture provisions as the Restricted Share award that it replaces. Except as determined otherwise by the Compensation Committee, during the Restricted Period with respect to such Restricted Share Units, participants shall not have the right to receive any dividends with respect to such Restricted Share Units. After the end of the Restricted Period and prior to the time that shares of Common Stock are transferred to the participant, the participant shall be credited with “dividend equivalents” with respect to each outstanding Restricted Share Unit in an amount equal to the amount the participant would have received as dividends if the Restricted Share Units were actual shares of Common Stock. Such dividend equivalents will be converted into additional Restricted Share Units based on the value of the Common Stock on the dividend payment date, in accordance with the procedures established by the Compensation Committee.

Performance Shares and Performance Units

The Compensation Committee may award to participants Performance Shares, each equivalent to one share of Common Stock, and Performance Units which will have a specified value or formula-based value at the end of a performance period. Performance Shares and Performance Units so awarded will be credited to an account established and maintained for the participant. The Compensation Committee will determine performance periods and performance objectives in connection with each grant of Performance Shares and Performance Units.

Vesting of awards of Performance Shares and Performance Units will occur upon achievement of the applicable objectives within the applicable performance period. The Compensation Committee may, at its discretion, permit vesting in the event performance objectives are partially met, or grant additional vested Performance Shares or Performance Units in the event performance objectives are surpassed. Payment of vested Performance Shares and Performance Units may be made in cash, Common Stock or any combination thereof, as determined by the Compensation Committee.

No voting or dividend rights attach to the Performance Shares; however, the Compensation Committee may credit a participant’s Performance Share account with additional Performance Shares equivalent to the fair market value of any dividends on an equivalent number of shares of Common Stock.

Unrestricted Shares

Unrestricted Shares may also be granted at the discretion of the Compensation Committee. Except as required by applicable law, no payment will be required for Unrestricted Shares.

Tax Withholding and Tax Offset Payments

The Compensation Committee may require payment, or withhold payments made under the 2009 Plan, in order to satisfy applicable withholding tax requirements. The Compensation Committee may make Tax Offset Payments to assist participants in paying income taxes incurred as a result of their participation in the 2009 Plan. The amount of the Tax Offset Payments shall be determined by multiplying a percentage (established by the Compensation Committee) by all or a portion of the taxable income recognized by the participant upon: (i) the exercise of an NSO or a SAR, (ii) the disposition of shares received upon exercise of an ISO, (iii) the lapse of restrictions on Restricted Shares, (iv) the award of Unrestricted Shares or (v) payments for Performance Shares or Performance Units.

Effect of Change in Control

Immediately upon a change in control of Limited Brands, (i) Options and SARs granted to any participant which are not yet exercisable shall become fully exercisable and (ii) any restrictions applicable to any Restricted Shares and Restricted Share Units awarded to such participant shall be deemed to have been satisfied and the Restricted Period, if any, applicable to such Restricted Shares and Restricted Share Units held by such participant shall be deemed to have expired.

Term of 2009 Plan

Unless earlier terminated by Limited Brands' Board of Directors, the 2009 Plan will terminate on May 28, 2014.

Amendment and Termination

Limited Brands' Board of Directors may suspend, amend, modify or terminate the 2009 Plan; provided, however, that Limited Brands' stockholders shall be required to approve any amendment that would constitute a "material revision" under applicable NYSE rules. Other than in connection with a corporate transaction involving the Company, the terms of outstanding awards may not be amended to reduce the exercise price of Options or SARs or cancel Options or SARs in exchange for cash, other awards or Options or SARs with an exercise prices less than the original Option or SAR without stockholder approval.

Awards granted prior to a termination of the 2009 Plan shall continue in accordance with their terms following such termination. No amendment, suspension or termination of the 2009 Plan shall adversely affect the rights of a participant in awards previously granted without such participant's consent.

Set forth below is a summary of the awards that were made in respect of fiscal 2008 pursuant to the predecessor to the 2009 Plan.

2008 Awards under the 2008 Plan Table

Name and Position	Number of Units
Leslie H. Wexner, Chairman of the Board and CEO	168,772(1) 83,508(2)
Sharen J. Turney, Executive Vice President, CEO/President, Victoria's Secret	57,237(1) 1,066,622(2)
Martyn R. Redgrave, Executive Vice President, Chief Administrative Officer	68,421(1) 187,976(2)
Diane L. Neal, Executive Vice President, CEO, Bath & Body Works	40,658(1) 145,244(2)
Stuart B. Burgdoerfer, Executive Vice President, Chief Financial Officer	31,798(1) 101,585(2)
All Executive Officers as a Group	394,298(1) 1,671,598(2)
All Current Directors Who are Not Executive Officers as a Group	- (1) - (2)
All Associates Other than Executive Officers as a Group	1,671,249(1) 2,695,190(2)

(1) Consists of options granted to purchase shares of Common Stock. On January 30, 2009, the closing price per share of Common Stock was $7.92.

(2) Consists of restricted shares of Common Stock relating to shares of Common Stock which will generally vest, in each case, over a period of time subject to the holder's continued employment with Limited Brands.

Federal Income Tax Consequences

Stock Options.

There will be no federal income tax consequences to the participant or Limited Brands upon the grant of either an ISO or an NSO under the 2009 Plan. Upon exercise of an NSO, a participant generally will recognize ordinary income in an amount equal to (i) the fair market value, on the date of exercise, of the acquired shares of Common Stock; less (ii) the exercise price of the NSO. Subject to Section 162(m) of the Code and the participant including such compensation in income or Limited Brands satisfying applicable reporting requirements, Limited Brands will be entitled to a tax deduction in the same amount.

Upon the exercise of an ISO, an associate recognizes no immediate taxable income. Income recognition is deferred until the associate sells the shares of Common Stock. If the ISO is exercised no later than three months after the termination of the associate's employment, and the associate does not dispose of the shares acquired pursuant to the exercise of the ISO within two years from the date the ISO was granted and within one year after the exercise of the ISO, the gain on the sale will be treated as long-term capital gain. Certain of these holding periods and employment requirements are liberalized in the event of an associate's death or disability while employed by Limited Brands. The Company is not entitled to any tax deduction with respect to the grant or exercise of ISOs, except that if the Common Stock is not held for the full term of the holding period outlined above, the gain on the sale of such Common Stock, being the lesser of: (i) the fair market value of the Common Stock on the date of exercise minus the option price or (ii) the amount realized on disposition minus the exercise price, will be taxed to the associate as ordinary income and, subject to Section 162(m) of the Code and the associate including such compensation in income and Limited Brands satisfying applicable reporting requirements, Limited Brands will be entitled to a deduction in the same amount. The excess of the fair market value of the Common Stock acquired upon exercise of an ISO over the exercise price therefor constitutes a tax preference item for purposes of computing the "alternative minimum tax" under the Code.

Stock Appreciation Rights.

There will be no federal income tax consequences to either the participant or Limited Brands upon the grant of a SAR. However, the participant generally will recognize ordinary income upon the exercise of a SAR in an amount equal to the aggregate amount of cash and the fair market value of the shares of Common Stock received upon exercise. Subject to Section 162(m) of the Code and the participant including such compensation in income and Limited Brands satisfying applicable reporting requirements, Limited Brands will be entitled to a deduction equal to the amount includible in the participant's income.

Restricted Shares.

There will be no federal income tax consequences to either the participant or Limited Brands upon the grant of Restricted Shares until expiration of the restricted period and the satisfaction of any other conditions applicable to the Restricted Shares. At that time, the participant generally will recognize taxable income equal to the then fair market value for the Common Stock and, subject to Section 162(m) of the Code and the participant including such compensation in income and Limited Brands satisfying applicable reporting requirements, Limited Brands will be entitled to a corresponding deduction.

Performance Shares, Performance Units and Restricted Share Units.

There will be no federal income tax consequences to the participant or Limited Brands upon the grant of Performance Shares, Performance Units or Restricted Share Units. Participants generally will recognize taxable income at the time when payment for the Performance Shares, Performance Units or Restricted Share Units is received in an amount equal to the aggregate amount of cash and the fair market value of shares of Common Stock acquired. Subject to Section 162(m) of the Code and the participant including such compensation in income and Limited Brands satisfying applicable reporting requirements, Limited Brands will be entitled to a deduction equal to the amount includible in the participant's income.

Unrestricted Shares.

Participants generally will recognize taxable income at the time Unrestricted Shares are received. Subject to Section 162(m) of the Code and the participant including such compensation in income and Limited Brands satisfying applicable reporting requirements, Limited Brands will be entitled to a deduction equal to the amount includible in the participant's income.

Special rules may apply to participants who are subject to Section 16 of the Exchange Act.

Required Vote

See "Information About the Annual Meeting and Voting—Vote Necessary to Approve Proposals" for a discussion of the votes required to adopt the 2009 Plan.

PROPOSAL TO AMEND OUR CERTIFICATE OF INCORPORATION TO PROVIDE FOR THE ANNUAL ELECTION OF DIRECTORS

Proposed Amendment

The Board of Directors is submitting for consideration by stockholders an amendment to the Company's Certificate of Incorporation (the "Charter") to provide for the phased elimination of the Company's classified board structure (the "Amendment").

The Company's current Charter divides the Board of Directors into three classes that are elected for staggered, three-year terms. If the proposed Amendment is adopted, the directors standing for election at the 2010 annual meeting (currently expected to be Mr. Hersch, Dr. Kollat and Messrs Loomis and Wexner) will stand for election for a one-year term expiring at the 2011 annual meeting, and they and their successors would stand for one-year terms thereafter. The Board's other directors (who would not stand for election at the 2010 annual meeting) will continue to hold office until the end of the terms for which they were elected, and they and their successors will stand for one-year terms thereafter.

Accordingly, directors elected at this year's annual meeting will serve for a three-year term expiring at the annual meeting in 2012, and directors currently serving terms that end at the annual meeting in 2010 and 2011 will continue to serve for such terms. If the Amendment is approved, all directors will be elected on an annual basis commencing at the 2012 annual meeting. In all cases, each director will hold office until his or her successor has been elected and qualified or until the director's earlier resignation or removal, and vacancies that occur during the year will be filled by the Board to serve until the next annual meeting.

The text of the proposed Amendment, which would replace Article 6, Section 1 and Article 10 of the Company's Charter in their entirety, is attached as Appendix B to this proxy statement.

Background of Proposal

The question of board structure—annual election versus a classified board—has been the focus of considerable attention over the past several years. The same period has witnessed a range of other related developments: increased use of mechanical stockholder voting standards; increased influence of large investors focused on short-term performance, sometimes at the expense of long-term objectives; and heightened concern about boardroom collegiality.

The Board has evaluated these and other developments carefully on numerous occasions with a focus on ensuring that the Company's board structure is appropriate in light of general developments and the Company's particular circumstances. The Board believes that a classified board structure has been and remains in the best interests of the Company and our stockholders. The Board believes that the recent extreme economic downturn and precipitous fall in the stock market are particularly relevant considerations.

At the 2007 annual meeting, a stockholder proposal to declassify the Company's board received majority support. In light of this vote and a recognition that there are different perspectives on this issue, our Board determined that it was advisable, and in the best interest of stockholders, to submit the proposed Amendment to stockholders for vote.

Required Vote

For the Amendment to become effective, this proposal must receive the affirmative vote of at least 75% of the outstanding shares entitled to vote at the meeting. If the proposal is approved by the required stockholder vote, the Board will take the necessary steps to amend the Company's Charter as set forth in Appendix B. If the Amendment does not receive this level of stockholder approval, the Amendment will not be implemented and the Company's current classified board structure will continue.

The Board makes no recommendation either "FOR" or "AGAINST" the proposal to adopt the proposed Amendment and encourages all stockholders to vote as they believe appropriate.

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 50th and 75th 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 2008, the Compensation Committee took certain additional actions to motivate and retain executives considering the downturn in the economic environment, little or no payout of incentive plan compensation during 2007 and little or no retentive value of unvested equity awards. These actions included the grant of performance-based restricted stock grants to top performing senior executives and the establishment of short-term performance-based incentive compensation targets that appropriately considered the economic environment. We continue to believe that pay realized by executive officers should be very closely aligned with performance that benefits our stockholders. We further believe that our current management team is the right one to lead the Company through challenging and uncertain economic times and it is in the best interest of the Company and stockholders to ensure the retention and motivation of these executives.

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

Compensation Governance

Limited Brands' 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. In the last year, the Compensation Committee worked to enhance communication between the Committee and the Board and to maximize the effectiveness of the role of the Committee. The role of the Compensation Committee and information about its meetings are set forth on pages 6 and 7 of this proxy statement.

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

Compensation Consultant

As permitted by the Compensation Committee charter, the Compensation Committee has retained Watson Wyatt as its independent executive compensation consultant to assist in the Committee's evaluation of CEO and executive officer compensation levels, severance arrangements and program design. The Compensation Committee, considering recommendations from management, determines the work to be performed by the consultant. The consultant works with management to gather data required in preparing analyses for 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, Watson Wyatt provided analysis on the alignment of pay and performance 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. In considering the advice provided by an executive compensation consultant, and whether to retain or continue the retention of an executive compensation consultant, the Committee requires that the Company regularly inform the 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. In addition, 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, management has retained a separate division of Watson Wyatt to perform process review and implementation assistance related to outsourcing the Company's stock plan administration system, and pays quarterly software usage fees related to a call center tracking system. The fees paid by the Company in 2008 to Watson Wyatt for non-Compensation Committee work constitutes less than one-third of total fees paid to the firm and less than .005% of Watson Wyatt's firm revenues. The Compensation Committee believes that the provision of this work by Watson Wyatt 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 an executive 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 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 periodically 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. Individuals in leadership roles 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 2007 and 2008, this philosophy resulted in short- and long-term incentive payments that were significantly below the targeted level. Additionally, our emphasis on equity compensation has resulted in declines in executive officer equity value consistent with the declines suffered by our stockholders. 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; and
- Developing an effective infrastructure to support future business growth and profitability.

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 leadership team and all 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 annual base salary.

According to these principles, Limited Brands has structured its total compensation for executive officers such that a smaller proportion is fixed compensation and a larger proportion is performance-contingent, aligned with 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 compensation, or between cash and non-cash compensation, the Compensation Committee has established a pay mix for executive officers that places greater emphasis on performance-based and equity compensation. The pay mix is designed to generally reflect market practice and to provide executive officers with attractive levels of current pay while encouraging officers to remain with our Company for the long-term. 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 in the form of restricted stock is generally performance-based and can be realized only if the executive officers achieve financial goals. Performance-based equity awards and stock options help 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. Because they are tied to key performance measures, they also support our key brand and human capital strategies. Additionally, we believe that performance-based and time vested long-term compensation increases the likelihood that we will be able to retain top performers.

Short-term performance-based incentive compensation is linked to the achievement of predetermined operating income goals and will be increased or decreased based on the performance of our Company over the measurement period. Actual compensation realized therefore may be more or less than the targeted compensation opportunity in any given year.

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 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. Our retirement plans and certain termination benefits are described below on pages 27 and 28, respectively. In addition, tabular disclosure of certain termination benefits is set forth below under the heading "Retirement and Other Post-Employment Benefits."

We will retroactively adjust previously awarded bonuses or vested equity compensation in the event of a restatement of financial or other performance results in accordance with the relevant provisions of the Sarbanes-Oxley Act.

The Compensation Committee reviewed all of the components of the named executive officers' compensation for the years 2006, 2007 and 2008, 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 Watson Wyatt, this list of peer companies was changed to appropriately reflect our current business, 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 changes in 2008 included the addition of Avon, DSW, Estee Lauder and Tween Brands and the removal of Best Buy, Chico's, Men's Wearhouse and Talbots. For the 2008 fiscal year, 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 is comprised of a subset of companies in the S&P 500 Retail Composite Index represented in the 5 Year Cumulative Total Return Graph included in our Annual Report on Form 10-K for the 2008 fiscal year.

For 2008, 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 2008 were below targeted levels and as a result, actual compensation was below targeted levels.

Based on a comparison of total compensation realized during 2007 and 2008 and the performance of the Company compared to our peer group, the Compensation Committee believes that total pay realized by the named executive officers is aligned with performance and is reasonable based on total returns delivered to our 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; the 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 accorded a formula weight.

In April 2008, based on these factors, the base salaries of the named executive officers were adjusted as follows:

	2007 Base Salary	2008 Base Salary	% Increase
Mr. Wexner	$1,850,000	$1,924,000	4.0%
Mr. Burgdoerfer	$ 650,000	$ 725,000	11.5%
Ms. Turney	$1,200,000	$1,250,000	4.2%
Mr. Redgrave	$1,000,000	$1,040,000	4.0%
Ms. Neal	$ 900,000	$ 927,000	3.0%

In response to the downturn in the economic environment and consistent with the Company's cost-saving measures, the base salaries for the executive officers for 2009 has been fixed at 2008 levels.

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 2008 are set forth in the Grants of Plan-Based Awards table on page 33. Actual payouts under this plan for fiscal 2008 are set forth below under the heading "Non-Equity Incentive Plan Compensation" in the Summary Compensation Table on page 31.

The pre-established objective financial goals under this plan for fiscal year 2008 were based on operating income. 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:

		Performance Incentive Goal Metric and Weighting	
Executive Officer	Target % of Base Salary	Brand Operating Income	Total Limited Brands Operating Income
Mr. Wexner	160%	80% weighted average of percentage achievement	
Mr. Burgdoerfer	100%	of Victoria's Secret, Bath & Body Works, LaSenza	20%
Mr. Redgrave	130%	and Mast operating income targets	
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 2008, the Compensation Committee set targets that reflected the challenging economic environment, recognizing that historical growth rates are no longer appropriate considering the significant downturn in the retail environment. The seasonal operating income growth targets for Spring and Fall (by brand) for each of Messrs. Wexner, Burgdoerfer and Redgrave were: Victoria's Secret, -8%, 18%; Bath & Body Works, 108%, -7%; other brands, 7%, -12%; and total Limited Brands, 28%, 8%, respectively. The relative weight assigned to each brand or category was 52%, 20%, 8% and 20%, for Victoria's Secret, Bath & Body Works, other brands and total Limited Brands, respectively. The operating income growth targets for Ms. Turney, based solely on Victoria's Secret, were -8% and 18% and for Ms. Neal, based solely on Bath & Body Works, were 108% and -7% for Spring and Fall, respectively.

The Compensation Committee believes that these operating income targets reflect performance that will lead to long-term preservation of stockholder value in an economic downturn and do not encourage our executive officers to take unnecessary and excessive risks.

We do not believe that disclosure of our 2009 performance targets is relevant to an understanding of compensation for our 2008 fiscal year.

To encourage stock ownership and to foster executive retention, executives at the Vice President level or above can elect to receive up to 25% of their short-term performance-based incentive compensation in the form of Common Stock and receive a 25% match in the form of a restricted stock grant, subject to three-year cliff vesting. Executives covered by the share ownership guidelines (described on page 29) 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 includes stock options, performance-based restricted stock and time vested restricted stock.

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

<u>Stock Options</u>.

Stock options comprise 25% of the annual value of the Company's long-term incentive program. 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 2008, stock options were awarded to our named executive officers in the amounts set forth below in the Grants of Plan-Based Awards table on page 33. The options granted to each executive officer vest, subject to continued employment, in four 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 date of the grant.

<u>Restricted Stock</u>.

Performance-based restricted stock comprises 75% of the value of executives' annual equity-based incentive opportunity. Performance-based restricted stock is awarded to link compensation to business performance, encourage ownership of Company stock, retain superior executive talent, and reward exceptional executive performance. Executives are awarded an annual target number of shares based on guidelines which include the individual's performance and responsibility level, competitive practice and the market price of Common Stock.

The performance-based restricted stock target is broken down into seasonal targets for Spring and Fall and is adjusted up or down based upon the extent to which the pre-established objective financial goals for each season are achieved or exceeded. The number of shares earned can range from zero to double the target. The performance-based restricted stock metrics are the same metrics used to determine payments under the short-term performance-based incentive compensation program outlined above. Once earned, the Spring portion of the award vests on the second anniversary of the grant date and the Fall portion of the award vests on the third anniversary of the grant date, in each case subject to continued employment.

In addition to the annual performance-based restricted stock award, the Compensation Committee approved special performance-based restricted stock awards for the named executive officers, excluding Mr. Wexner. The awards were granted to address retention of key talent. For the named executive officers with the exception of Ms. Turney, the awards were based on a targeted multiple of base salary and vest 100% three years from the date of grant. Ms. Turney's award was set at one million shares, 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. These awards will be earned only if the Company achieves 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, 2009 or 2010. In connection with these awards, each executive officer has agreed to provide at least three months' notice before resigning their employment with the Company.

The performance-based restricted stock awarded to the named executive officers in 2008 is detailed in the Grants of Plan-Based Awards table on page 33.

Time vested restricted stock is awarded to executives to encourage ownership of Company stock, as a hiring and retention incentive, to recognize significant promotions, as a match on an executive's election to receive his or her 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 2008 in the amounts set forth below in the Grants of Plan-Based Awards table on page 33, which vest 100% three years from the grant date, subject to continued employment.

Retirement Plan 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 defined contribution 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 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 contributes 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 credits additional amounts based on a percentage of the associates' eligible compensation and years of service. The plan also permits 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. 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.

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 leadership team, including our named executive officers, reimbursement of financial planning costs of up to $15,000. We also provide for certain senior executives 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. Ms. Turney receives an allowance equal to the amount that the Company would have had to pay for Ms. Turney to stay in a hotel during her business related travel to New York.

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.

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. During 2008, Ms. Turney and Mr. Burgdoerfer each used corporate aircraft for personal purposes without reimbursing the cost as noted above. In Ms. Turney's case, the Company was unable to bill for reimbursement for one flight taken prior to the execution of an aircraft lease agreement in compliance with aviation rules. The value of this flight was $1,708. In Mr. Burgdoerfer's case, he used corporate aircraft for personal purposes on a single occasion at the Company's request. The total value of Mr. Burgdoerfer's personal aircraft usage was $9,251.

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 years from the grant date over the full vesting period (i.e., one-third will vest if one full year is completed from the grant date for a grant that otherwise would vest 100% three years from the grant date).

The Company has 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 below on pages 39-43. 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 within 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 engagement in risky business activities.

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

Generally, it is anticipated that all of the named executive officers will hold shares with a value in excess of the ownership guidelines by the end of the 2009 fiscal year, or if later, within five years of becoming subject to the guidelines. Details regarding the ownership of shares by the named executive officers are set forth 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 the 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. To maintain flexibility in structuring executive compensation to attract highly qualified executive talent, and to further our business goals and compensation philosophy, the Compensation Committee has elected not to adopt a policy requiring all compensation to be tax deductible.

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 2008, as in prior years, in establishing Mr. Wexner's compensation package the Compensation Committee considered competitive practices, the extent to which Limited Brands 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 is accorded specific weight.

As described earlier, the Compensation Committee and Limited Brands continue to emphasize variable, performance-based compensation components for all executives, including Mr. Wexner. Accordingly, as a result of fiscal 2007 performance, in early 2008 Mr. Wexner's base salary was adjusted by 4.0% from $1,850,000 to $1,924,000 while his incentive compensation target remained at 160%. In establishing these compensation elements, the Compensation Committee considered the financial results for fiscal 2007, changes in stockholder value, Mr. Wexner's progress in recruiting and developing senior leadership talent, and continued focus on the brand development strategy.

In fiscal 2008, the Company posted net sales of $9.0 billion, a decrease of 11% compared to net sales in fiscal 2007. Fiscal 2008 net income was $220 million, which was 69% below net income for fiscal 2007. In 2008, earnings per diluted share were $0.65 per share, a decrease of 66% compared to fiscal 2007 earnings per diluted share. In 2008, net income included the following items:

- A pre-tax charge of $215 million to reduce the carrying value of La Senza goodwill and other intangible assets;
- A pre-tax gain of $128 million related to the sale of a non-core joint venture;
- A pre-tax charge of $23 million for severance related to the reduction of roughly 10% of home office head count, or approximately 400 associates;
- A pre-tax charge of $19 million related to the impairment of the investment carrying value of another non-core joint venture;
- A tax benefit of $15 million primarily related to certain discrete foreign and state income tax items; and
- A pre-tax gain of $13 million related to a $71 million cash distribution from Express.

(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' 2008 Annual Report on Form 10-K which is being sent with this proxy statement).

These fiscal 2008 results were below targeted performance objectives established by the Compensation Committee for the Fall season. As a result, the annual cash incentive payment earned by Mr. Wexner was below 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 31, 2009 (the "named executive officers").

Name and Principal Position	Year	Salary ($)(1)	Bonus ($)(2)	Stock Awards ($)(3)(4)	Option Awards ($)(3)(4)	Non-Equity Incentive Plan Compen-sation ($)(5)	Change in Pension Value and Non-qualified Deferred Compen-sation Earnings ($)(6)	All Other Compen-sation ($)(7)	Total ($)
Leslie H. Wexner	2008	$1,909,769	$ 0	$1,449,406	$ 1,087,514	$1,523,192	$252,015	$1,312,532	$7,534,428
Chairman of the Board, CEO	2007	1,834,615	0	1,331,729	1,502,449	436,896	129,397	1,588,885	6,823,971
	2006	1,823,269	0	732,594	1,713,406	3,213,754	238,796	1,657,366	9,379,185
Sharen J. Turney	2008	1,240,385	2,006,173	3,554,088	355,962	1,090,500	112,060	458,882	8,818,050
Executive Vice President,	2007	1,180,769	857,144	851,638	3,361,919	274,176	52,850	509,998	7,088,494
CEO/President, Victoria's Secret	2006	1,086,731	0	471,061	(1,625,637)	1,813,680	88,318	488,192	2,322,345
Martyn R. Redgrave	2008	1,032,308	0	1,281,054	722,317	668,970	45,465	219,797	3,969,911
Executive Vice President,	2007	990,385	0	470,755	649,839	177,120	18,541	204,924	2,511,564
Chief Administrative Officer	2006	975,962	0	339,362	459,561	1,293,672	15,586	122,663	3,206,806
Diane L. Neal	2008	921,808	0	1,094,226	104,489	241,873	16,683	121,047	2,500,126
Executive Vice President, CEO, Bath & Body Works(8)	2007	865,385	0	393,424	72,644	288,000	5,646	1,906	1,627,005
Stuart B. Burgdoerfer	2008	710,577	0	735,050	165,783	358,730	3,336	174,315	2,147,791
Executive Vice President, Chief Financial Officer(8)	2007	636,538	0	249,366	137,575	208,000	421	337,282	1,569,182

(1) Base salary paid in 2006 reflects a 53-week fiscal year.

(2) Performance-based incentive compensation bonuses are disclosed in this table under Non-Equity Incentive Plan Compensation. Ms. Turney received a cash bonus in the amount of $442,833 pursuant to her employment agreement. Ms. Turney also received a cash payment in the amount of $1,563,340 in connection with a guaranteed minimum gain on the options awarded under Ms. Turney's employment offer in 2000.

(3) The value of stock and option awards reflects the 2008 fiscal year expense, excluding estimated forfeitures, recognized by the Company under Financial Accounting Standard 123(R) "Share-Based Payments" (FAS123R) 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 27, 2009 on Form 10-K for stock options granted during the 2008, 2007 and 2006 fiscal years and as set forth in Note 17 to the Company's financial statements filed March 28, 2008 on Form 10-K for stock options granted during the 2005 fiscal year.

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

(5) 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	$1,523,192	$ 0	$ 0	$ 0	$1,523,192
Ms. Turney	1,057,785	0	32,715	0	1,090,500
Mr. Redgrave	381,313	0	20,069	267,588	668,970
Ms. Neal	234,617	0	7,256	0	241,873
Mr. Burgdoerfer	253,400	94,568	10,762	0	358,730

(6) Limited Brands does not sponsor any tax-qualified or non-qualified defined benefit retirement plans. For fiscal 2008, the amounts shown represent the amount by which earnings of 7.625% on each executive officer's non-qualified deferred compensation account balance exceeds 120% of the applicable federal long-term rate.

(7) 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	$11,450	$4,525	$ 0	$965,000	$ 0	$331,557	$1,312,532
Ms. Turney	9,880	7,730	15,931	4,294	27,600	0	1,708	391,739	458,882
Mr. Redgrave	0	0	6,793	2,485	0	0	0	210,519	219,797
Ms. Neal	30,000(b)	0	4,859	2,758	25,000	0	0	58,430	121,047
Mr. Burgdoerfer	7,000	0	8,692	3,432	0	0	9,251	145,940	174,315

(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. During 2008, Ms. Turney and Mr. Burgdoerfer each used corporate aircraft for personal purposes without reimbursing the cost in the amounts noted above.

(b) Amount includes reimbursement for services covering two years.

(8) Ms. Neal and Mr. Burgdoerfer became executive officers during 2007. Therefore, only amounts earned for 2007 and 2008 are disclosed.

Grants of Plan-Based Awards for Fiscal 2008

The following table provides information relating to plan-based awards and opportunities granted to the named executive officers during the fiscal year ended January 31, 2009.

Name	Award Type(1)	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(2)			Estimated Future Payouts Under Equity Incentive Plan Awards(3)			All Other Stock Awards: Number of Shares of Stock or Units (#)(4)	All Other Option Awards: Number of Securities Underlying Options (#)(5)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($)(6)
			Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)				
Leslie H. Wexner	SO	3/31/2008	$ 0	$ 0	$ 0	0	0	0	0	168,772	$17.10	$ 585,386
	PRS-S	3/31/2008	0	0	0	13,502	67,509	135,018	83,508	0	0	1,329,447
	PRS-F	8/19/2008	0	0	0	20,253	101,263	202,526	0	0	0	0
	IC		615,680	3,078,400	6,156,800	0	0	0	0	0	0	0
Sharen J. Turney	SO	3/31/2008	0	0	0	0	0	0	0	57,237	17.10	198,527
	RS	3/31/2008	0	0	0	0	0	0	33,333	0	0	530,995
	PRS	3/31/2008	0	0	0	0	0	0	1,000,000	0	0	14,200,000
	PRS-S	3/31/2008	0	0	0	4,579	22,895	45,790	33,289	0	0	529,961
	PRS-F	8/19/2008	0	0	0	6,868	34,342	68,684	0	0	0	0
	IC		375,000	1,875,000	3,750,000	0	0	0	0	0	0	0
Martyn R. Redgrave	SO	3/31/2008	0	0	0	0	0	0	0	68,421	17.10	237,318
	PRS	3/31/2008	0	0	0	0	0	0	152,100	0	0	2,334,735
	PRS-S	3/31/2008	0	0	0	5,474	27,368	54,736	33,855	0	0	538,972
	PRS-F	8/19/2008	0	0	0	8,211	41,053	82,106	0	0	0	0
	RSM	9/5/2008	0	0	0	0	0	0	2,021	0	0	38,338
	IC		270,400	1,352,000	2,704,000	0	0	0	0	0	0	0
Diane L. Neal	SO	3/31/2008	0	0	0	0	0	0	0	40,658	17.10	141,022
	PRS	3/31/2008	0	0	0	0	0	0	135,600	0	0	2,081,460
	PRS-S	3/31/2008	0	0	0	3,253	16,263	32,526	9,644	0	0	153,532
	PRS-F	8/19/2008	0	0	0	4,879	24,395	48,790	0	0	0	0
	IC		203,940	1,019,700	2,039,400	0	0	0	0	0	0	0
Stuart B. Burgdoerfer	SO	3/31/2008	0	0	0	0	0	0	0	31,798	17.10	110,291
	PRS	3/31/2008	0	0	0	0	0	0	84,800	0	0	1,301,680
	PRS-S	3/31/2008	0	0	0	2,544	12,719	25,438	15,734	0	0	250,485
	PRS-F	8/19/2008	0	0	0	3,816	19,079	38,158	0	0	0	0
	RSM	9/5/2008	0	0	0	0	0	0	1,051	0	0	19,937
	IC		145,000	725,000	1,450,000	0	0	0	0	0	0	0

(1) Award types are as follows:

IC	Cash performance-based incentive compensation
PRS-F	Performance-based restricted stock—no shares were earned based on Fall performance
PRS-S	Performance-based restricted stock—earned based on Spring performance
PRS	Performance-based restricted stock award
RS	Time vested restricted stock
RSM	Restricted stock granted as a match on an executive's election to receive his or her cash performance-based incentive compensation in stock
SO	Non-qualified and/or incentive stock options

(2) Non-Equity Incentive Plan Awards represent the Threshold, Target and Maximum payments under the Company's Performance-Based Incentive Compensation Plan for the 2008 Spring and Fall seasons. The actual amount earned under this plan is disclosed in the Summary Compensation Table under Non-Equity Incentive Plan Compensation.

(3) Equity Incentive Plan Awards represent the Threshold, Target and Maximum payments of performance-based restricted stock for the 2008 Spring and Fall seasons. 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.

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

Stock Awards granted to executive officers Wexner, Turney, Redgrave, Neal, and Burgdoerfer on March 31, 2008 represent 40% of the annual performance-based restricted stock target. These awards were earned based on achievement of operating income targets for the Spring season 2008 and vest on March 31, 2010.

Stock Awards granted to executive officers Wexner, Turney, Redgrave, Neal, and Burgdoerfer, on August 19, 2008, represent 60% of the annual performance-based restricted stock target. No awards were earned based on operating income results for the Fall season.

Special performance-based restricted stock awards were granted on March 31, 2008. For executive officers Redgrave, Neal and Burgdoerfer, the awards vest 100% 3 years from the date of grant. Ms. Turney's award vests over 7 years, 40% after four years and 20% after each of five, six and seven years. These awards will be earned and vest only if the Company achieves 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, 2009 or 2010.

Stock Awards granted on September 5, 2008, 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 2008 bonus. These grants vest 100% three years from the grant date, subject to continued employment and holding of the incentive compensation paid in stock in lieu of cash.

The restricted stock award of 33,333 shares granted on March 31, 2008 to Ms. Turney was made under the terms of her employment agreement and vests in three equal annual installments over three years from the grant date.

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.

(5) 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, 2008, were granted in connection with the Company's long-term incentive program. These grants vest in four equal installments beginning on the first anniversary of the grant date, subject to continued employment.

(6) The value of stock and option awards reflects the grant date fair value under FAS123R 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 27, 2009, on Form 10-K for the 2008 fiscal year: dividend yield of 3.4%, volatility of 29%, risk free interest rate of 2.5%, and expected life of 5.2 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 2008

The following table provides information relating to outstanding equity awards granted to the named executive officers at fiscal year end, January 31, 2009.

	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 ($)**	**Option Expiration Date**	**Grant Date**	**Number of Shares or Units of Stock That Have Not Vested (#)**	**Market Value of Shares or Units of Stock That Have Not Vested ($)(30)**	**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	247,500	82,500(1)	0	24.30	3/31/2015					
	3/31/2006	41,250	41,250(2)	0	24.46	3/31/2016					
	3/30/2007	26,625	79,875(3)	0	26.06	3/30/2017					
	3/31/2008		168,772(4)	0	17.10	3/31/2018					
							8/24/2006	61,360(12)	$ 485,971	0	$0
							9/8/2006	3,438(13)	27,229	0	0
							3/9/2007	4,300(14)	34,056	0	0
							3/30/2007	15,719(15)	124,494	0	0
							3/31/2008	83,508(16)	661,383	0	0
Sharen J. Turney . . .	6/26/2000	202,897	0	0	20.28(31)	6/26/2010					
	2/3/2003	26,350	0	0	12.01	2/3/2013					
	2/2/2004	56,214	14,052(5)	0	17.78	2/2/2014					
	3/31/2005	75,000	25,000(1)	0	24.30	3/31/2015					
	3/31/2006	7,500	7,500(2)	0	24.46	3/31/2016					
	3/31/2008	0	57,237(4)		17.10	3/31/2018					
							2/24/2006	7,196(17)	56,992	0	0
							5/24/2006	11,111(18)	87,999	0	0
							8/24/2006	5,610(12)	44,431	0	0
							9/8/2006	3,102(13)	24,568	0	0
							3/9/2007	1,183(14)	9,369	0	0
							3/30/2007	2,428(15)	19,230	0	0
							3/30/2007	22,222(19)	175,998	0	0
							9/7/2007	278(20)	2,202	0	0
							3/31/2008	33,289(16)	263,649	0	0
							3/31/2008	33,333(21)	263,997	0	0
							3/31/2008	1,000,000(22)	7,920,000	0	0
Martyn R. Redgrave	3/8/2005	112,500	37,500(6)	0	24.61	3/8/2015					
	3/31/2006	7,500	7,500(2)	0	24.46	3/31/2016					
	5/24/2006	37,500	37,500(7)	0	26.99	5/24/2016					
	6/22/2006	11,000	11,000(8)	0	25.32	6/22/2016					
	3/30/2007	21,575	64,725(3)	0	26.06	3/30/2017					
	3/31/2008		68,421(4)	0	17.10	3/31/2018					
							3/8/2005	25,000(23)	198,000	0	0
							2/24/2006	1,784(17)	14,129	0	0
							5/24/2006	5,000(18)	39,600	0	0
							8/24/2006	9,504(12)	75,272	0	0
							9/8/2006	651(13)	5,156	0	0
							3/9/2007	1,731(14)	13,710	0	0
							3/30/2007	4,251(15)	33,668	0	0
							9/7/2007	515(20)	4,079	0	0
							3/31/2008	33,855(16)	268,132	0	0
							3/31/2008	152,100(24)	1,204,632	0	0
							9/5/2008	2,021(25)	16,006	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 Un-exercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Grant Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)(30)	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 ($)
Diane L. Neal	11/20/2006	12,500	12,500(9)	0	$30.67	11/20/2016					
	3/30/2007	1,750	5,250(3)	0	26.06	3/30/2017					
	3/31/2008		40,658(4)	0	17.10	3/31/2018					
							11/20/2006	21,000(26)	$ 166,320	0	$0
							7/27/2007	15,560(27)	123,235	0	0
							3/31/2008	9,644(16)	76,380	0	0
							3/31/2008	135,600(24)	1,073,952	0	0
Stuart B. Burgdoerfer	11/2/2006	25,000	25,000(10)	0	29.66	11/2/2016					
	4/9/2007	3,124	9,376(11)	0	26.86	4/9/2017					
	3/31/2008		31,798(4)	0	17.10	3/31/2018					
							11/2/2006	20,000(28)	158,400	0	0
							4/9/2007	9,304(29)	73,688	0	0
							3/31/2008	15,734(16)	124,613	0	0
							3/31/2008	84,800(24)	671,616	0	0
							9/5/2008	1,051(25)	8,324	0	0

(1) Options vest 100% on March 31, 2009.

(2) Options vest 50% on March 31, 2009 and 50% on March 31, 2010.

(3) Options vest 1/3 on March 30, 2009, 1/3 on March 30, 2010 and 1/3 on March 30, 2011.

(4) Options vest 25% on March 31, 2009, 25% on March 31, 2010, 25% on March 31, 2011 and 25% on March 31, 2012.

(5) Options vest 100% on February 2, 2009.

(6) Options vest 100% on March 8, 2009.

(7) Options vest 50% on May 24, 2009 and 50% on May 24, 2010.

(8) Options vest 50% on June 22, 2009 and 50% on June 22, 2010.

(9) Options vest 50% on November 20, 2009 and 50% on November 20, 2010.

(10) Options vest 50% on November 2, 2009 and 50% on November 2, 2010.

(11) Options vest 1/3 on April 9, 2009, 1/3 on April 9, 2010 and 1/3 on April 9, 2011.

(12) Shares vest 100% on March 31, 2009.

(13) Shares vest 100% on September 8, 2009.

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

(15) Shares vest 100% on March 30, 2009.

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

(17) Shares vest 100% on February 24, 2009.

(18) Shares vest 100% on May 24, 2009.

(19) Shares vest 50% on March 30, 2009 and 50% on March 30, 2010.

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

(21) Shares vest 1/3 on March 31, 2009, 1/3 on March 31, 2010 and 1/3 on March 31, 2011.

(22) Shares vest 40% on March 31, 2012, 20% on March 31, 2013, 20% on March 31, 2014 and 20% on March 31, 2015, subject to achievement of performance objective noted on page 15.

(23) Shares vest 100% on March 8, 2009.

(24) Shares will vest 100% on March 31, 2011, subject to achievement of performance objective noted on page 15.

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

(26) Shares vest 100% on November 20, 2009

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

(28) Shares vest 100% on November 2, 2009.

(29) Shares vest 6% on April 9, 2009 and 94% on April 9, 2010.

(30) Market value based on the $7.92 fair market value of a share of Common Stock on the last trading day of the fiscal year (January 30, 2009).

(31) In connection with Ms. Turney's employment offer in 2000, the Company has guaranteed a minimum gain of $9.49 per share on this stock option award.

Option Exercises and Stock Vested Information For Fiscal 2008

The following table provides information relating to Option Awards exercised and Restricted Stock Awards vested during the fiscal year ended January 31, 2009.

	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	48,539	$830,017
Sharen J. Turney	166,002	11,637	37,222	649,941
Martyn R. Redgrave	0	0	11,150	202,469
Diane L. Neal	0	0	14,000	99,820
Stuart B. Burgdoerfer	0	0	0	0

(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 2008[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	$317,457	$1,003,453	$0	$13,763,615
Sharen J. Turney	249,883	368,439	456,677	0	6,506,546
Martyn R. Redgrave	525,972	190,744	198,308	0	2,981,891
Diane L. Neal	266,244	56,873	66,427	0	1,066,860
Stuart B. Burgdoerfer	25,670	122,640	13,283	0	242,318

(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 defined contribution 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 2008 calendar year deferrals and match on incentive compensation payments earned based on performance for the Fall 2007 season, which was paid in March 2008, and for the Spring 2008 season, which was paid in September 2008.

(2) Cash contributions in the amount of $249,883, $258,385, $266,244, and $25,670 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. A stock unit contribution of $267,588 related to Mr. Redgrave's election to receive and defer his Spring 2008 incentive compensation in stock is included in the Summary Compensation Table as Non-Equity Incentive Plan Compensation and is detailed in footnote (5) to the 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 at the beginning of each year based on the Company's borrowing rates. For 2008, this interest rate was 7.625%. 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.

Includes dividends earned on deferred stock and restricted stock unit balances in the amount of $10,486 and $17,280 for executive officers Turney and Redgrave, respectively. Dividends are reinvested into additional stock units based on the closing market price of the Company's 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 may not make withdrawals during their employment. 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 $142,471 and $312,640 for executive officers Turney and Redgrave, respectively. Value is calculated based on a stock price of $7.92 on January 30, 2009.

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 31, 2009 and a stock price of $7.92, our stock price on January 30, 2009.

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	0	0	0	0
Value of Accelerated Restricted Stock(3)	0	0	983,545	2,135,137	2,135,137	983,545	394,986
Total Value of Long-Term Incentives	0	0	983,545	2,135,137	2,135,137	983,545	394,986
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	$983,545	$2,135,137	$4,135,137	$1,779,545	$394,986

Proxy Statement

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	1,364,676	0	0	0
Total Cash Severance	0	1,250,000	4,375,000	3,864,676	0	0	0
Long Term Incentives							
Gain of Accelerated Stock Options(3)	0	0	0	0	0	0	0
Value of Accelerated Restricted Stock(3)	0	0	1,431,912	9,140,424	9,140,424	1,431,912	0
Guaranteed Minimum Gain on 6/26/00 Option Award(5)	1,925,023	1,925,023	1,925,023	1,925,023	1,925,023	1,925,023	1,925,023
Total Value of Long-Term Incentives	1,925,023	1,925,023	3,356,935	11,065,447	11,065,447	3,356,935	1,925,023
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	0	N/A	N/A	N/A
Total	$1,932,109	$3,202,695	$7,769,901	$14,968,089	$16,065,447	$4,619,167	$1,932,109

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	846,090	0	0	0
Total Cash Severance	0	1,040,000	3,432,000	2,926,090	0	0	0
Long Term Incentives							
Gain of Accelerated Stock Options(3)	0	0	0	0	0	0	0
Value of Accelerated Restricted Stock(3)	0	0	845,745	2,197,523	2,197,523	845,745	0
Total Value of Long-Term Incentives	0	0	845,745	2,197,523	2,197,523	845,745	0
Benefits and Perquisites(4)	0	18,491	27,737	27,737	2,189,643	769,266	0
Tax Gross-Up	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	$ 0	$1,058,491	$4,305,482	$5,151,350	$4,387,166	$1,615,011	$ 0

Diane L. Neal

	Voluntary Resignation	Involuntary w/out Cause or Voluntary w/Good Reason		Involuntary w/out Cause following Change in Control(6)	Death	Disability	Retirement
		w/out Release	& Signed Release				
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	0	0	0	0
Value of Accelerated Restricted Stock(3)	0	0	524,146	1,633,096	1,633,096	524,146	0
Total Value of Long-Term Incentives	0	0	524,146	1,633,096	1,633,096	524,146	0
Benefits and Perquisites(4)	0	15,798	15,798	15,798	1,901,736	598,435	0
Tax Gross-Up	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	$ 0	$942,798	$3,413,644	$4,522,594	$3,534,832	$1,122,581	$ 0

Stuart B. Burgdoerfer

	Voluntary Resignation	Involuntary w/out Cause or Voluntary w/Good Reason		Involuntary w/out Cause following Change in Control	Death	Disability	Retirement
		w/out Release	& Signed Release				
Cash Severance(1)							
Base Salary	$ 0	$725,000	$1,450,000	$1,450,000	$ 0	$ 0	$ 0
Bonus(2)	0	0	725,000	566,730	0	0	0
Total Cash Severance	0	725,000	2,175,000	2,016,730	0	0	0
Long Term Incentives							
Gain of Accelerated Stock Options(3)	0	0	0	0	0	0	0
Value of Accelerated Restricted Stock(3)	0	0	422,746	1,187,747	1,187,747	422,746	0
Total Value of Long-Term Incentives	0	0	422,746	1,187,747	1,187,747	422,746	0
Benefits and Perquisites(4)	0	20,164	30,247	30,247	1,450,000	501,291	0
Tax Gross-Up	N/A	N/A	N/A	0	N/A	N/A	N/A
Total	$ 0	$745,164	$2,627,993	$3,234,724	$2,637,747	$924,037	$ 0

(1) Assumes a termination date of January 31, 2009.

(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 31, 2009. 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 $7.92 fair market value of a share of Common Stock on the last trading day of the fiscal year (January 30, 2009).

(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) Represents the amount to be paid by the Company in connection with a guaranteed minimum gain on stock options granted to Ms. Turney upon her hire in 2000. Amount is calculated based on the $7.92 fair market value of a share of Common Stock on the last trading day of the fiscal year (January 30, 2009).

(6) 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 2009.

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 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 2008 Director Compensation

The following table sets forth compensation earned by the individuals who served as directors of the Company during fiscal 2008.[(1)]

Name	Fees Earned or Paid in Cash ($)(2)	Stock Awards ($)(3)	Total ($)(4)
E. Gordon Gee(5)	$ 17,500	$17,247	$ 34,747
Dennis S. Hersch	60,000	43,833	103,833
James L. Heskett	85,000	51,165	136,165
Donna A. James	99,000	60,263	159,263
David T. Kollat	60,000	43,833	103,833
William R. Loomis, Jr.	73,250	52,985	126,235
Jeffrey H. Miro	70,000	51,165	121,165
Jeffrey B. Swartz	60,000	43,833	103,833
Allan R. Tessler	114,000	67,596	181,596
Abigail S. Wexner	80,000	51,165	131,165
Raymond Zimmerman	74,000	52,985	126,985

(1) Directors who are associates receive no additional compensation for their service as directors. Our current Board of Director's 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 Board 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 to their 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 the 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 31, 2009 for each director is as follows: Mr. Hersch, none; Dr. Heskett, none; Ms. James, none; Dr. Kollat, 6,439 options; Mr. Loomis, none; Mr. Miro, none; Mr. Swartz, none; Mr. Tessler, 264 options; Mrs. Wexner, 6,439 options; and Mr. Zimmerman, 6,439 options.

(5) Dr. Gee retired from the Board effective May 19, 2008, at the conclusion of our 2008 annual meeting.

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 31, 2009 and the Company's proxy statement.

Compensation Committee

James L. Heskett, Chair
Jeffrey H. Miro
Jeffrey B. Swartz

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" below 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	62,055(c)	*
Dennis S. Hersch	10,965(d)	*
James L. Heskett	19,737(d)	*
Donna A. James	20,554(d)	*
David T. Kollat	118,288(c)	*
William R. Loomis, Jr.	76,925(d)	*
Jeffrey H. Miro	32,171(d)	*
Diane L. Neal	39,114(c)	*
Martyn R. Redgrave	359,398(c)	*
Jeffrey B. Swartz	18,528(d)	*
Allan R. Tessler	77,130(c)	*
Sharen J. Turney	606,641(c)	*
Abigail S. Wexner	8,641,907(c)(e)	2.7%
Leslie H. Wexner	56,908,839(c)(f)(g)	17.6%
Raymond Zimmerman	59,180(c)(d)(h)	*
All directors and executive officers as a group	58,669,076(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 31, 2009, except for Mr. and Mrs. Wexner whose ownership is as of March 10, 2009.

(c) Includes the following number of shares issuable within 60 days of January 31, 2009 (March 10, 2009 for Mr. and Mrs. Wexner), upon the exercise or vesting of outstanding stock awards: Mr. Burgdoerfer, 36,629; Dr. Kollat, 6,439; Ms. Neal, 26,165; Mr. Redgrave, 296,789; Mr. Tessler, 264; Ms. Turney, 451,417; Mrs. Wexner, 4,216; Mr. Wexner, 1,749,093 (includes 4,216 shares issuable to Mrs. Wexner); Mr. Zimmerman, 6,439; and all directors and executive officers as a group, 2,678,506.

(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, 10,426; Dr. Heskett, 6,639; Ms. James, 12,556; Mr. Loomis, 18,211; Mr. Miro, 11,632; Mr. Swartz, 18,528; and Mr. Zimmerman, 22,068. The amounts shown do not include non-associate directors' deferred retainers and fees denominated in deferred stock units under the 2003 Stock Award and Deferred Compensation Plan for Non-Associate Directors that will be payable in installments in shares of our Common Stock beginning more than 60 days following termination of such non-associate director's service on our Board.

(e) Excludes 48,266,932 shares beneficially owned by Mr. Wexner as to which Mrs. Wexner disclaims beneficial ownership. Includes 126,501 shares held by Whitebarn GRAT as to which Mrs. Wexner shares voting and investment power with others. Includes 8,511,190 shares directly owned by Mrs. Wexner.

(f) Includes 1,479,602 shares held in the Limited Brands Savings and Retirement Plan (as of February 28, 2009), over which Mr. Wexner has investment but not voting power.

(g) Includes 3,300,568 shares held by Trust 600, 5,571,601 shares held by R.H.R.E.I. Trust, 3,834,399 shares held by Trust 400, 72,649 shares held by Issue Trust, 126,501 shares held by Whitebarn GRAT and 8,000,000 shares held by Acorn Trust. Mr. Wexner shares voting and investment power with others with respect to shares held by Trust 600, R.H.R.E.I. Trust, Trust 400, Issue Trust, Whitebarn GRAT and Acorn Trust. Includes 168,561 shares held by The Concierge Trust. Mr. Wexner has sole voting and investment power over the shares held by The Concierge Trust. Includes 4,892,608 shares held by Mr. Wexner as the sole stockholder, director and officer of Wexner Personal Holdings Corporation. Includes 8,511,190 shares directly owned by Mrs. Wexner and 4,216 shares issuable to Mrs. Wexner within 60 days of March 10, 2009 upon exercise of outstanding stock awards. Mr. Wexner may be deemed to share voting and investment power with respect to the shares directly owned by Mrs. Wexner and the shares issuable to Mrs. Wexner upon exercise of outstanding stock awards. Includes 19,202,067 shares directly owned by Mr. Wexner. Of the shares beneficially owned by Mr. Wexner, as of March 2009, 5,571,601 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' 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 officers and directors that no other reports were required, we believe that during fiscal 2008 our officers, directors and greater than ten percent beneficial owners complied with these filing requirements with the exception that Ms. Neal timely filed an Initial Statement of Beneficial Ownership on a Form 3 that was subsequently amended to correct the underreporting of beneficial ownership.

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(4)
Leslie H. Wexner(1) Three Limited Parkway P.O. Box 16000 Columbus, OH 43216	56,908,839	17.6%
Capital Research Global Investors(2) 333 South Hope Street Los Angeles, CA 90071	26,809,760	8.4%
AXA Financial, Inc.(3) 1290 Avenue of the Americas New York, NY 10104	19,804,767	6.2%

(1) For a description of Mr. Wexner's beneficial ownership, see pages 46-47 of "Security Ownership of Directors and Management."

(2) As of December 31, 2008, based on information set forth in the Schedule 13G filed February 17, 2008 by Capital Research Global Investors, a division of Capital Research and Management Company. Capital World Investors has sole dispositive power over 26,809,760 shares and sole voting power over 6,500,000 shares.

(3) As of December 31, 2008, based on information set forth in the Schedule 13G filed February 13, 2009 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 15,162,628 shares and sole voting power over 11,353,562 shares.

(4) Based on the number of shares outstanding as of January 31, 2009.

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 31, 2009 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 31, 2009 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 2008 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 31, 2009. 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 2008 and 2007 were approximately $5,416,000 and $7,315,000, 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 2008 and 2007 were approximately $429,000 and $672,000, 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 2008 and 2007 were approximately $50,000 and $6,000, 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 2008 or 2007.

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 2010 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 9, 2009.

Other stockholder proposals.

If a stockholder intends to present a proposal or nominate a person for election as a director at the 2010 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 26, 2010 and no later than April 5, 2010. 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

APPENDIX A

LIMITED BRANDS, INC.

PROPOSED 2009 RESTATEMENT OF THE 1993 STOCK OPTION AND PERFORMANCE INCENTIVE PLAN

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LIMITED BRANDS, INC.

1993 STOCK OPTION AND PERFORMANCE INCENTIVE PLAN
(2009 Restatement)

ARTICLE I

ESTABLISHMENT AND PURPOSE

1.01. *Establishment and Effective Date*. Effective on February 26, 1993, Limited Brands, Inc., a Delaware corporation (the "**Company**"), established this stock incentive plan known as the "Limited Brands, Inc. 1993 Stock Option and Performance Incentive Plan." (the "**Plan**"). The Plan was subsequently amended, restated and approved by stockholders on May 17, 2004, further amended and restated effective on March 15, 2007, on November 6, 2008 and, most recently effective on May 27, 2009.

The 2008 restatement of the Plan included amendments required in order to bring the Plan into compliance with Section 409A of the Internal Revenue Code of 1986, as amended ("**Code**") and the Treasury Regulations promulgated thereunder ("**Reg.**"), and shall apply only with respect to awards under the Plan (or portions of such awards) that are earned and vested on and after January 1, 2005. Awards (or portions of such awards) that were earned and vested on or before December 31, 2004 are intended to be grandfathered from the application of Code Section 409A, unless such awards are materially modified with respect to the terms and conditions in place on October 2, 2004, in which case such awards would become subject to Code Section 409A and the related provisions of the Plan applicable to awards subject to Code Section 409A.

The 2009 restatement of the Plan includes the addition of 2,000,000 shares to the shares available for awards under the Plan pursuant to Section 2.02, amends the eligibility provisions of Section 4.01 and makes certain other administrative amendments.

1.02. *Purpose*. The Company desires to attract and retain the best available executive and key management associates, consultants and other advisors, for itself and its subsidiaries and affiliates and to encourage the highest level of performance by such associates in order to serve the best interests of the Company and its stockholders. The Plan is expected to contribute to the attainment of these objectives by offering eligible associates, consultants and other advisors the opportunity to acquire stock ownership interests in the Company, and other rights with respect to stock of the Company, and to thereby provide them with incentives to put forth maximum effort for the success of the Company and its subsidiaries.

ARTICLE II

AWARDS

2.01. *Form of Awards*. Awards under the Plan may be granted in any one or all of the following forms: (i) incentive stock options ("**Incentive Stock Options**") meeting the requirements of Code Section 422; (ii) nonstatutory stock options ("**Nonstatutory Stock Options**") (unless otherwise indicated, references in the Plan to Options shall include both Incentive Stock Options and Nonstatutory Stock Options); (iii) stock appreciation rights ("**Stock Appreciation Rights**"), as described in Article VII, which may be awarded either in tandem with Options ("**Tandem Stock Appreciation Rights**") or on a stand-alone basis ("**Nontandem Stock Appreciation Rights**"); (iv) units representing shares of common stock of the Company ("**Common Stock**") which are restricted as provided in Article XI ("**Restricted Share Units**"); (v) units representing shares of Common Stock, as described in Article XII ("**Performance Units**"); (vi) shares of unrestricted Common Stock ("**Unrestricted Shares**"); and (vi) tax offset payments ("**Tax Offset Payments**"), as described in Article XIV. In addition, awards may be granted as "**Substitute Awards**", which are awards granted in assumption of, or in substitution for, any outstanding awards previously granted by a company acquired by the Company or with which the Company (or a subsidiary thereof) combines. Substitute Awards shall be granted in accordance with procedures complying with Section 409A of the Code and regulations thereunder.

2.02. *Maximum Shares Available*. The maximum aggregate number of shares of Common Stock available for award under this Plan as of the Plan's effective date is 18,996,252 subject to adjustment pursuant to Article XV, plus shares of Common Stock issuable upon the exercise of Substitute Awards; provided, however, that no more than 12,379,939 of shares of Common Stock may be issued other than pursuant to awards of Options or Stock Appreciation Rights under the Plan. All shares available for award under the Plan may be awarded in the form of Incentive Stock Options. In addition, Tax Offset Payments which may be awarded under the Plan will not exceed the number of shares available for issuance under the Plan. Shares of Common Stock issued pursuant to the Plan may be either authorized but unissued shares or issued shares reacquired by the Company. In the event that prior to the end of the period during which Options may be granted under the Plan, any Option or any Nontandem Stock Appreciation Right granted under the Plan or granted and outstanding under the Plan prior to its 2009 amendment and restatement expires unexercised or is terminated, surrendered or canceled (other than in connection with the exercise of a Stock Appreciation Right) without being exercised in whole or in part for any reason, or any Restricted Share Units or Performance Units are forfeited, or if such awards are settled in cash in lieu of shares of Common Stock, then the shares to which any such award relates may, at the discretion of the Committee (as defined below) to the extent permissible under Rule 16b-3 under the Securities Exchange Act of 1934 (the "**Act**"), be made available for subsequent awards under the Plan, upon such terms as the Committee may determine; provided, however, that the foregoing shall not apply to or in respect of Substitute Awards.

ARTICLE III

ADMINISTRATION

3.01. *Committee*. The Plan shall be administered by a Committee (the "**Committee**") appointed by the Company's Board of Directors (the "**Board**") and consisting of not less than two (2) members of the Board. Each member of the Committee shall be an "outside director" (within the meaning of Code Section 162(m)) and a "non-employee director" (within the meaning of Rule 16b-3(b)(3)(i) under the Act).

3.02. *Powers of Committee*. Subject to the express provisions of the Plan, the Committee shall have the power and authority (i) to grant Options and to determine the purchase price of the Common Stock covered by each Option, the term of each Option, the number of shares of Common Stock to be covered by each Option and any performance objectives or vesting standards applicable to each Option; (ii) to designate Options as Incentive Stock Options or Nonstatutory Stock Options and to determine which Options, if any, shall be accompanied by Tandem Stock Appreciation Rights; (iii) to grant Tandem Stock Appreciation Rights and Nontandem Stock Appreciation Rights and to determine the terms and conditions of such rights; (iv) to grant Restricted Share Units and to determine the term of the restricted period and other conditions and restrictions applicable to such shares; (v) to grant Performance Units and to determine the performance objectives, performance periods and other conditions applicable to such units; (vi) to grant Unrestricted Shares; (vi) to determine the amount of, and to make, Tax Offset Payments; and (vii) to determine the associates to whom, and the time or times at which, Options, Stock Appreciation Rights, Restricted Share Units, Performance Units, and Unrestricted Shares shall be granted.

3.03. *Delegation*. The Committee may delegate to one or more of its members or to any other person or persons such ministerial duties as it may deem advisable; provided, however, that the Committee may not delegate any of its responsibilities hereunder if such delegation will cause (i) transactions under the Plan to fail to comply with Section 16 of the Act or (ii) the Committee to fail to qualify as "outside directors" under Code Section 162(m). The Committee may also employ attorneys, consultants, accountants or other professional advisors and shall be entitled to rely upon the advice, opinions or valuations of any such advisors.

3.04. *Interpretations*. The Committee shall have sole discretionary authority to interpret the terms of the Plan, to adopt and revise rules, regulations and policies to administer the Plan and to make any other factual determinations which it believes to be necessary or advisable for the administration of the Plan. All actions taken and interpretations and determinations made by the Committee in good faith shall be final and binding upon the Company, all associates who have received awards under the Plan and all other interested persons.

3.05. *Liability; Indemnification*. No member of the Committee, nor any person to whom duties have been delegated, shall be personally liable for any action, interpretation or determination made with respect to the Plan or awards made thereunder, and each member of the Committee shall be fully indemnified and protected by the Company with respect to any liability he or she may incur with respect to any such action, interpretation or determination, to the extent permitted by applicable law and to the extent provided in the Company's Certificate of Incorporation and Bylaws, as amended from time to time.

ARTICLE IV

ELIGIBILITY

4.01. *Eligibility*. Any associate, consultant or other advisor of, or any other individual who provides services to (x) the Company or any subsidiary or affiliate or (y) any joint venture in which the Company or any subsidiary or affiliate holds at least a 40% interest, shall be eligible to be selected to receive a compensatory award under or to be a "**Participant**" in the Plan. In determining the individuals to whom awards shall be granted and the number of shares to be covered by each award, the Committee shall take into account the nature of the services rendered by such individuals, their present and potential contributions to the success of the Company and its subsidiaries and such other factors as the Committee in its sole discretion shall deem relevant. The Committee shall ensure that Common Stock underlying any award hereunder qualifies as "service recipient stock", within the meaning of Section 409A of the Code and the regulations thereunder. "**Participant**" means any individual granted an award hereunder. No Participant may be granted in any calendar year awards covering more than 2,000,000 shares of Common Stock.

ARTICLE V

STOCK OPTIONS

5.01. *Grant of Options*. Options may be granted under this Plan for the purchase of shares of Common Stock. Options shall be granted in such form and upon such terms and conditions, including the satisfaction of corporate or individual performance objectives and other vesting standards, as the Committee shall from time to time determine. On or before the date of grant of an Option, the Committee shall designate the number of shares of Common Stock covered by such Option, the option price of such Option, and the recipient of the Option.

5.02. *Option Price*. The option price of each Option to purchase Common Stock shall be determined by the Committee not later than the date of the grant, but (except in the case of Substitute Awards) shall not be less than 100 percent of the Fair Market Value (as defined in Section 19.01 of the Common Stock subject to such Option on the date of grant. The option price so determined shall also be applicable in connection with the exercise of any Tandem Stock Appreciation Right granted with respect to such Option.

5.03. *Term of Options*. The term of each Option granted under the Plan shall not exceed ten (10) years from the date of grant, subject to earlier termination as provided in Articles IX and X, except as otherwise provided in Section 6.01 with respect to ten (10) percent stockholders of the Company.

5.04. *Exercise of Options*. Subject to the provisions of Article XIX ("Miscellaneous Provisions"), an Option may be exercised, in whole or in part, at such time or times as the Committee shall determine. The Committee may, in its discretion, accelerate the exercisability of any Option at any time. Options may be exercised by a Participant by giving notice to the Committee, in writing or in such other manner as the Committee may permit, stating the number of shares of Common Stock with respect to which the Option is being exercised and tendering payment therefor. Payment for the Common Stock issuable upon exercise of the Option shall be made in full in cash or by certified check or, if the Committee, in its sole discretion, permits, in shares of Common Stock (valued at Fair Market Value on the date of exercise). As soon as reasonably practicable following such exercise, a certificate representing the shares of Common Stock purchased, registered in the name of the Participant, shall be delivered to the Participant.

5.05. *Cancellation of Stock Appreciation Rights*. Upon exercise of all or a portion of an Option, the related Tandem Stock Appreciation Rights shall be canceled with respect to an equal number of shares of Common Stock.

ARTICLE VI

SPECIAL RULES APPLICABLE TO INCENTIVE STOCK OPTIONS

6.01. *Ten Percent Stockholder*. Notwithstanding any other provision of this Plan to the contrary, any associates who are full-time employees of the Company and its present and future subsidiaries, shall be eligible for awards of Incentive Stock Options. However, no such associate may receive an Incentive Stock Option under the Plan if such associate, at the time the award is granted, owns (after application of the rules contained in Code Section 424(d)) stock possessing more than ten (10) percent of the total combined voting power of all classes of stock of the Company or its subsidiaries, unless (i) the option price for such Incentive Stock Option is at least 110 percent of the Fair Market Value of the Common Stock subject to such Incentive Stock Option on the date of grant and (ii) such Option is not exercisable after the date five (5) years from the date such Incentive Stock Option is granted.

6.02. *Limitation on Grants*. The aggregate Fair Market Value (determined with respect to each Incentive Stock Option at the time such Incentive Stock Option is granted) of the shares of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by an associate during any calendar year (under this Plan or any other plan of the Company or a subsidiary) shall not exceed $100,000.

6.03. *Limitations on Time of Grant*. No grant of an Incentive Stock Option shall be made under this Plan more than ten (10) years after the earlier of the date of adoption of the Plan by the Board or the date the Plan is approved by stockholders.

ARTICLE VII

STOCK APPRECIATION RIGHTS

7.01. *Grants of Stock Appreciation Rights*. Tandem Stock Appreciation Rights may be awarded by the Committee in connection with any Option granted under the Plan, at the time the Option is granted, and shall be subject to the same terms and conditions as the related Option, except that the medium of payment may differ. Nontandem Stock Appreciation Rights may be granted by the Committee at any time. On or before the date of grant of a Nontandem Stock Appreciation Right, the Committee shall specify the number of shares of Common Stock covered by such right, the base price of shares of Common Stock to be used in connection with the calculation described in Section 7.04 below, and the recipient of the award. Except in the case of a Substitute Award, the base price of a Nontandem Stock Appreciation Right shall be not less than 100 percent of the Fair Market Value of a share of Common Stock on the date of grant. Stock Appreciation Rights shall be subject to such terms and conditions not inconsistent with the other provisions of this Plan as the Committee shall determine.

7.02. *Limitations on Exercise*. Subject to the provisions of Articles IX, X and XIX, a Tandem Stock Appreciation Right shall be exercisable only to the extent that the related Option is exercisable and shall be subject to the same exercise period as the related Option, which shall be set forth in the applicable agreement on or before the date of grant. Upon the exercise of all or a portion of Tandem Stock Appreciation Rights, the related Option shall be canceled with respect to an equal number of shares of Common Stock. Shares of Common Stock subject to Options, or portions thereof, surrendered upon exercise of a Tandem Stock Appreciation Right, shall not be available for subsequent awards under the Plan. Subject to the provisions of Article XIX, a Nontandem Stock Appreciation Right shall be exercisable during such period as the Committee shall determine, which shall be set forth in the applicable agreement on or before the date of grant.

7.03. *Term of Stock Appreciation Rights.* The term of each Stock Appreciation Right granted under the Plan shall not exceed ten (10) years from the date of grant, subject to earlier termination as provided in Articles IX and X.

7.04. *Surrender or Exchange of Tandem Stock Appreciation Rights*. A Tandem Stock Appreciation Right shall entitle the Participant to surrender to the Company unexercised the related option, or any portion thereof, and to receive from the Company in exchange therefor that number of shares of Common Stock having an aggregate Fair Market Value equal to (A) the excess of (i) the Fair Market Value of one (1) share of Common Stock as of the date the Tandem Stock Appreciation Right is exercised over (ii) the option price per share specified in such Option, multiplied by (B) the number of shares of Common Stock subject to the Option, or portion thereof, which is surrendered. Cash shall be delivered in lieu of any fractional shares.

7.05. *Exercise of Nontandem Stock Appreciation Rights*. The exercise of a Nontandem Stock Appreciation Right shall entitle the Participant to receive from the Company that number of shares of Common Stock having an aggregate Fair Market Value equal to (A) the excess of (i) the Fair Market Value of one (1) share of Common Stock as of the date on which the Nontandem Stock Appreciation Right is exercised over (ii) the base price of the shares covered by the Nontandem Stock Appreciation Right, multiplied by (B) the number of shares of Common Stock covered by the Nontandem Stock Appreciation Right, or the portion thereof being exercised. Cash shall be delivered in lieu of any fractional shares.

7.06. *Settlement of Stock Appreciation Rights*. As soon as is reasonably practicable after the exercise of a Stock Appreciation Right, the Company shall (i) issue, in the name of the Participant, stock certificates representing the total number of full shares of Common Stock to which the Participant is entitled pursuant to Section 7.03 or 7.04 hereof, and cash in an amount equal to the Fair Market Value, as of the date of exercise, of any resulting fractional shares, and (ii) if the Committee causes the Company to elect to settle all or part of its obligations arising out of the exercise of the Stock Appreciation Right in cash pursuant to Section 7.06, deliver to the Participant an amount in cash equal to the Fair Market Value, as of the date of exercise, of the shares of Common Stock it would otherwise be obligated to deliver.

7.07. *Cash Settlement*. The Committee, in its discretion, may cause the Company to settle all or any part of its obligation arising out of the exercise of a Stock Appreciation Right by the payment of cash in lieu of all or part of the shares of Common Stock it would otherwise be obligated to deliver in an amount equal to the Fair Market Value of such shares on the date of exercise.

ARTICLE VIII

NONTRANSFERABILITY OF OPTIONS AND STOCK APPRECIATION RIGHTS

8.01. *Nontransferability of Options and Stock Appreciation Rights*. No Option or Stock Appreciation Right may be transferred, assigned, pledged or hypothecated (whether by operation of law or otherwise), except as provided by will or the applicable laws of descent and distribution, and no Option or Stock Appreciation Right shall be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge, hypothecation or other disposition of an Option or a Stock Appreciation Right not specifically permitted herein shall be null and void and without effect. An Option or Stock Appreciation Right may be exercised by a Participant only during the Participant's lifetime, or following the Participant's death pursuant to Article X.

ARTICLE IX

TERMINATION OF EMPLOYMENT

9.01. *Exercise after Termination of Employment*. "**Termination of Employment**" shall mean "separation from service" as that term is defined in Code Section 409A and the Treasury Regulations thereunder. Except as the Committee may at any time provide, in the event that the employment of a Participant shall be terminated either by the Participant or by the Participant's employer (for reasons other than death, disability or Cause), any Option or Stock Appreciation Right granted to such Participant may be exercised (to the extent that the Participant was entitled to do so at the time of Participant's Termination of Employment) at any time within one (1) year after such Termination of Employment, but in no case later than the date of expiration of the original term of the Option or Stock Appreciation Right; provided, however, that if an Incentive Stock Option is not exercised within three (3) months following Termination of Employment, it shall be treated as a Nonstatutory Stock Option. Notwithstanding the foregoing, if an Option or Stock Appreciation Right was granted prior to May 19, 2003 with an option price equal to or less than $12.50 per share, such Option or Stock Appreciation Right may be exercised (to the extent that the Participant was entitled to do so at the time of the Termination of Employment) at any time within three (3) months following Termination of Employment for reasons other than death, disability or Cause, but in no case later than the date of expiration of the term of the Option or Stock Appreciation Right. If the Participant's employment is terminated by the Participant's employer for Cause and the Option or Stock Appreciation Right was granted prior to May 19, 2003, any such Option or Stock Appreciation Right granted to such Participant may be exercised (to the extent that the Participant was entitled to do so at the time of his Termination of Employment) at any time within three (3) months after such Termination of Employment for cause, but in no case later than the date of expiration of the original term of the Option or Stock Appreciation Right. If the Option or Stock Appreciation Right was granted after May 18, 2003, except as the Committee may at any time provide any such Option or Stock Appreciation Right may be exercised (to the extent that the Participant was entitled to do so at the time of the Termination of Employment) at any time within thirty (30) days after such Termination of Employment, but in no case later than the date of expiration of the original term of the Option or Stock Appreciation Right. Any Options or Stock Appreciation Rights that are not exercisable on the date of a Termination of Employment for any reason shall lapse. In no event may an Option or Stock Appreciation Right be exercised after the expiration of the original term of the Option or Stock Appreciation Right.

9.02. *Total Disability*. Except as the Committee may at any time provide, in the event that a Participant to whom an Option or Stock Appreciation Right has been granted under the Plan shall become totally disabled, such Option or Stock Appreciation Right may be exercised at any time within one (1) year after the Participant's Termination of Employment due to total disability, to the extent that the Participant was entitled to do so at the time of his Termination of Employment (it being understood that such termination occurs after nine (9) months of absence from work due to the total disability), but in no case later than the date of expiration of the original term of the Option or Stock Appreciation Right. Notwithstanding the foregoing, for purposes of exercising Incentive Stock Options, a Participant shall be deemed to have a Termination of Employment if the Participant is absent from work for three (3) months due to total disability, where the date of such Termination of Employment shall be the last date of active employment before the three (3) month period; in this event, if such Participant is a Participant and fails to exercise an Incentive Stock Option within three (3) months following such deemed Termination of Employment, such Incentive Stock Option shall be treated as a Nonstatutory Stock Option. For purposes hereof, "total disability" shall have the definition set forth in the Limited Brands, Inc. Long-Term Disability Plan, which definition is hereby incorporated by reference.

ARTICLE X

DEATH OF PARTICIPANT

10.01. *Death of Participant While Employed*. If a Participant to whom an Option or Stock Appreciation Right has been granted under the Plan shall die while employed by or otherwise providing services to the Company or one of its subsidiaries or affiliates, such Option or Stock Appreciation Right shall become fully exercisable by the Participant's beneficiary (as indicated on the appropriate form provided by or otherwise providing services to the Company), or if no beneficiary is so indicated, then by the estate or person who acquires the right to exercise such Option or Stock Appreciation Right upon the Participant's death by bequest or inheritance. Such exercise may occur at any time within one (1) year after the date of the Participant's death (or such other period as the Committee may at any time provide), but in no case later than the date of expiration of the original term of the Option or Stock Appreciation Right.

10.02. *Death of Participant Following Termination of Employment*. If a Participant to whom an Option or Stock Appreciation Right has been granted under the Plan shall die after the date of the Participant's Termination of Employment, but before the end of the period provided under the Plan by which a terminated Participant may exercise such Option or Stock Appreciation Right, such Option or Stock Appreciation Right may be exercised, to the extent that the Participant was entitled to do so at the time of the Participant's death, by the Participant's beneficiary (as indicated on the appropriate form provided by the Company), or if no beneficiary is so indicated, then by the estate or person who acquires the right to exercise such Option or Stock Appreciation Right upon the Participant's death by bequest or inheritance. Such exercise may occur at any time within the period in which the terminated Participant could have exercised such Option or Stock Appreciation Right if the Participant had not died, (or such other period as the Committee may at any time provide), but in no case later than the date of expiration of the original term of the Option or Stock Appreciation Right.

ARTICLE XI

RESTRICTED SHARE UNITS ("RSUs")

11.01. *Grant of Restricted Share Units*. The Committee may from time to time cause the Company to grant RSUs under the Plan to Participants, subject to such restrictions, conditions and other terms as the Committee may determine. For purposes of clarification, grants under the Plan made through the end of the 2008 calendar year whose terms and conditions were entitled "Restricted Stock" and "Restricted Shares" were in fact grants of RSUs and were treated in a manner consistent with RSUs. RSU awards represent an unfunded promise to pay the Participant a specified number of shares of Common Stock (or cash equivalent, as applicable) in the future if the conditions of the RSU award are satisfied and the RSU award is not otherwise forfeited prior to the stated date of delivery, under the terms and conditions applicable to such award.

11.02. *Restrictions*. At the time a grant of RSUs is made, the Committee shall establish a period of time (the "**Restricted Period**") applicable to such RSUs. Each grant of RSUs may be subject to a different Restricted Period. The Committee may, in its sole discretion, at the time a grant is made, prescribe restrictions in addition to or other than the expiration of the Restricted Period, including the satisfaction of corporate or individual service or performance objectives, which shall be applicable to all or any portion of the RSUs. Except with respect to grants of RSUs intended to qualify as performance-based compensation for purposes of Code Section 162(m), the Committee may also, in its sole discretion, waive any restrictions applicable to all or a portion of such RSUs, provided that the applicable terms and conditions are set forth on or before the date of grant of the award to the extent required to comply with Code Section 409A. None of the RSUs may be sold, transferred, assigned, pledged or otherwise encumbered or disposed of. Unless otherwise provided under the terms of the award, upon the death of a Participant, any conditions applicable to RSUs which have been granted to such Participant will be deemed to have been satisfied and the Restricted Period, if any, applicable to Restricted RSUs held by such Participant, will be deemed to have expired. Unless otherwise provided under the terms of the award, upon the retirement of a Participant, the restrictions and conditions, if any, applicable to any RSUs which have been granted to such Participant will be deemed to have been satisfied with respect to that percentage of the RSUs equal to (i) the number of complete months between the first day of the Restricted Period and the date of the Participant's retirement, divided by (ii) the number of complete months in the Restricted Period. Any RSUs granted to a Participant for which the restrictions and conditions are not deemed to have expired pursuant to the preceding sentence shall be forfeited in accordance with Section 11.05. For purposes of this Article XI, "retirement" shall mean a Participant's Termination of Employment following the date on which a Participant has attained age 55 and completed seven years of service with the Company. An award may also provide for full or pro-rata vesting upon other events, such as upon a Change in Control or upon Termination of Employment as a result of total disability, or for other reasons, provided that any such applicable terms and conditions are set forth on or before the date of grant of the award.

11.03. [*Reserved*].

11.04. *Rights of Holders of Restricted Share Units*. Except as determined by the Committee not later than the date of grant of RSUs, Participants to whom RSUs have been granted shall not have the right to vote such shares or the right to receive any dividends with respect to such shares, except as provided in Section 11.08 with respect to dividend equivalents. All distributions, if any, received by a Participant with respect to RSUs as a result of any stock split-up, stock distribution, a combination of shares, or other similar transaction shall be subject to the restrictions of this Article XI and the adjustment provisions of Article XV.

11.05. *Forfeiture Upon Termination of Employment*. Except as provided in Section 11.02 and Article XVIII, and as the Committee may provide in the terms of any award on or before the date of grant, any RSUs granted to a Participant pursuant to the Plan shall be forfeited if the Participant experiences a Termination of Employment either by the Participant or the Participant's employer for reasons other than death prior to the expiration of the Restricted Period and the satisfaction of any other conditions applicable to such RSUs. In addition, if the Participant's Termination of Employment occurs as a result of retirement (as defined in Section 11.02), any RSUs which do not vest in accordance with Section 11.02 shall be forfeited.

11.06. *Delivery of Shares*. Unless an election is made under Section 11.08 to defer the settlement of RSUs, and unless otherwise provided in the terms of any award, upon the expiration or termination of the Restricted Period and the satisfaction of any other conditions prescribed by the Committee, RSUs shall be settled by delivery of a stock certificate for the number of shares associated with the award with respect to which the restrictions have expired or the terms and conditions have been satisfied to the Participant or the Participant's beneficiary or estate, as the case may be. Such payment in settlement shall be made promptly, but in any event not later then (i) the end of the year in which the Restricted Period ended and the conditions were satisfied or (ii) if later, the 15th day of the third calendar month following the date on which the Restricted Period ended, provided that the award holder will not be permitted, directly or indirectly, to designate the taxable year of settlement. The Participant may be required to execute a release of claims against the Company and its subsidiaries in this event. If an election is made under Section 11.08 to defer the settlement of RSUs, delivery shall occur as described here but upon the date or dates of delivery in accordance with Section 11.09 and the deferral election. Notwithstanding the above, if the Participant is a "specified employee," as that term is defined in Code Section 409A and the Treasury Regulations thereunder, and is entitled to receive a payment upon Termination of Employment or on a date determinable based on the date of Termination of Employment (and not a pre-determined fixed date or schedule), then, except in the event of the Participant's death after such Termination of Employment, such payment shall be delayed by at least six (6) months after the date of such Participant's Termination of Employment to the extent required by Section 409A.

11.07. *Performance-Based Objectives*. At the time of the grant of RSUs to a Participant, and prior to the beginning of the performance period to which performance objectives relate, the Committee may establish performance objectives based on any one or more of the following, which may be expressed with respect to the Company or one or more operating units or groups, as the Committee may determine: price of Company Common Stock or the stock of any affiliate, shareholder return, return on equity, return on investment, return on capital, sales productivity, comparable store sales growth, economic profit, economic value added, net income, operating income, gross margin, sales, free cash flow, earnings per share, operating company contribution or market share. These factors shall have a minimum performance standard below which, and a maximum performance standard above which, no payments will be made. These performance goals may be based on an analysis of historical performance and growth expectations for the business, financial results of other comparable businesses, and progress towards achieving the long-range strategic plan for the business. These performance goals and determination of results shall be based entirely on financial measures. The Committee shall specify how any performance objectives shall be adjusted to the extent necessary to prevent dilution or enlargement of any award as a result of extraordinary events or circumstances, as determined by the Committee, or to exclude the effects of extraordinary, unusual, or non-recurring items; changes in applicable laws, regulations, or accounting principles; currency fluctuations; discontinued operations; non-cash items, such as amortization, depreciation, or reserves; asset impairment; or any recapitalization, restructuring, reorganization, merger, acquisition, divestiture, consolidation, spin-off, split-up, combination, liquidation, dissolution, sale of assets, or other similar corporation transaction; provided, however, that no such adjustment will be made if the effect of such adjustment would cause an award to fail to qualify as performance-based compensation within the meaning of Code Section 162(m). The Committee may not use any discretion to modify award results except as permitted under Code Section 162(m). In addition, with respect to any RSUs granted that are intended to be "performance-based" for purposes of Code Section 162(m) and relate to a performance period that begins on or after January 1, 2009, such award shall not be payable upon Termination of Employment for any reason other than due to death, total disability (as defined in Article IX) or upon a Change in Control (as defined in Article XVIII), unless the payment is based on achievement of the associated performance objectives. To the extent that the award is subject to Code Section 409A, payment upon Termination of Employment in connection with a Change in Control must be made upon a Change in Control that satisfies the definition of "change in control event" in Code Section 409A and the Treasury Regulations thereunder, unless otherwise permitted in satisfaction of the alternative payment rules under Code Section 409A and the Treasury Regulations thereunder.

11.08. *Deferred Restricted Share Units*. The Committee may permit a Participant who has been designated to receive an RSU award to elect to defer the receipt of the shares in settlement of such RSU award as well as the form of payment of such deferred RSUs. For purposes of clarification, grants under the Plan made through the end of the 2008 calendar year whose applicable terms and conditions were entitled "Restricted Stock" and "Restricted Shares" were in fact grants of RSUs and were treated in a manner consistent with RSUs; in addition, such grants made during the years 2006 through the end of the 2008 calendar year and which indicate that the "Restricted Stock" or "Restricted Shares" may instead be elected to be "received" as RSUs, were grants of RSUs where the Participant was permitted to elect to defer the receipt of the shares associated with the settlement of the RSU award to a later date, in accordance with the terms and conditions providing for such election in the terms and conditions accompanying such awards.

All elections under this Section 11.08 to defer the settlement of an RSU award must be made in accordance with the requirements of Code Section 409A. Any election not in compliance with such requirements shall be treated as invalid and the deferral election shall be disregarded and distribution of the shares upon settlement of the awards shall be made as though the Participant did not elect to defer. For this purpose, an invalid deferral election shall include (but is not limited to) a deferral election that (i) is not executed (regardless of when received), (ii) is executed but received after the applicable irrevocable date, or (iii) cannot otherwise become effective under applicable rules. If a valid deferral election is incomplete, the deferral election shall be honored and distribution of the shares attributable to the awards shall be made as though the Participant elected a deferred lump sum payment For this purpose, a valid but incomplete deferral election is one that has been received and executed on or before the applicable irrevocable date, but does not indicate the form of payment (lump sum versus installments), or indicates an election for installment payments but not the number of installment payments. Unless the award agreement and terms and conditions accompanying specific awards indicate otherwise, or as otherwise provided in the Plan, the deferred RSUs shall be subject to the same restrictions, conditions and forfeiture provisions as the associated nondeferred RSUs.

Except as determined otherwise by the Committee on or before grant and as set forth in the terms and conditions accompanying such awards, during the Restricted Period with respect to RSUs, Participants shall not have the right to receive any dividends. After the end of the Restricted Period and prior to the time that shares of Common Stock are transferred to the Participant, within sixty (60) days after the date of payment of a dividend by the Company on its shares of Common Stock, the Participant shall be credited with "dividend equivalents" with respect to each outstanding RSU in an amount equal to the amount the Participant would have received as dividends if the RSUs were actual shares of Common Stock. Such dividend equivalents will be converted into additional RSUs based on the value of the Common Stock on the dividend payment date, in accordance with the procedures established by the Committee, and paid at the same time and in the same manner as the underlying RSUs.

At no time shall any assets of the Company be segregated for payment of RSUs hereunder. Participants who have elected to defer the settlement of RSUs shall at all times have the status of general unsecured creditors of the Company and shall not have any rights in or against specific assets of the Company. The Plan constitutes a mere promise by the Company to make payments attributable to RSUs in the future, in accordance with the applicable terms and conditions.

11.09. *Payment of Deferred Restricted Share Units*. RSUs are payable solely in shares of unrestricted Common Stock, and shall be paid in accordance with the terms of delivery under Section 11.06 and this Section 11.09. Shares attributable to deferred RSUs that are vested in accordance with the terms and conditions applicable to such awards shall be transferred to the Participant at the time and in the form as elected by the Participant and as set forth in the terms and conditions applicable to such awards, which shall be either in a single payment or in up to ten (10) installment payments.

If a lump sum distribution is elected, the payment shall be made on the date provided in, and in accordance with, the terms and conditions applicable to the award. If installment distributions are elected, the initial installment shall be paid on the date provided in, and in accordance with, the terms and conditions applicable to the award. Subsequent installments shall be made on each anniversary of the initial installment and shall continue for the duration of the selected distribution period. If the Participant dies prior to the time all shares have been distributed, distribution shall be made to the Participant's beneficiary or estate on the payment date provided in, and in accordance with, the terms and conditions applicable to the award. If Termination of Employment occurs during the Restricted Period, the terms and conditions shall set forth the rights of the Participant to payment, as well as the time and form of distribution of such awards, if any, to the Participant. A participant shall have no rights as a shareholder with respect to deferred RSUs until such time, if any, as shares of Common Stock are transferred to the Participant (or the Participant's beneficiary or estate, if applicable). Notwithstanding the above, if the Participant is a specified employee and is entitled to receive payment upon Termination of Employment or on a date determinable based on the date of Termination of Employment (and not a pre-determined fixed date or schedule), then, except in the event of the Participant's death after such Termination of Employment, such payment (or in the case of installments, the first payment) shall be delayed by at least six (6) months after the date of such Participant's Termination of Employment, to the extent required by Section 409A; in this event, subsequent installment payments shall occur on the anniversary of the first delayed installment payment.

Provided that the terms and conditions applicable to a deferred RSU award permit it, a Participant may change the Participant's distribution election, provided such change in distribution election is made not less than 12 months before the date the payment (or in the case of installments, the first payment) is scheduled to be made, and is irrevocable after this date. Such an election may be made to change payment(s) from a single lump sum payment to installment payments, from installment payments to a single lump sum payment, or from one number of installment payments to another number of installment payments, by submitting such election to the Company; provided, (i) such election does not become effective until at least twelve (12) months after the date on which the election is made and (ii) except in the case of payment permissible upon the Participant's death, the payment (or in the case of installments the first payment) must be deferred for a period of not less than five (5) years from the date such payment would have been made or commenced if there had been no election to change the form of payment. For this purpose, all installment payments are treated as a single payment. Any election not made in accordance with such procedures shall be treated as invalid, and the change in distribution election shall be disregarded and distribution of the shares attributable to the awards shall be made as though the Participant did not elect to change the time and form of distribution. For this purpose, an invalid change in distribution election shall include (but is not limited to) an election that (i) is not executed (regardless of when received), (ii) is executed but received after the applicable irrevocable date, or (iii) cannot otherwise become effective under applicable rules. If a valid change in distribution election is incomplete, the change in distribution election shall be honored and distribution of the shares attributable to the awards shall be made as though the associate elected a change in distribution to a deferred lump sum payment. For this purpose, a valid but incomplete change in distribution election is one that has been received and executed on or before the applicable irrevocable date, but does not indicate the form of payment (lump sum versus installments), or indicates an election for installment payments but not the number of installment payments.

ARTICLE XII

PERFORMANCE UNITS

12.01. *Award of Performance Units*. For each Performance Period (as defined in Section 12.02), Performance Units may be granted under the Plan to such Participants as the Committee shall determine. The award agreement covering such Performance Units shall specify a value for each Performance Unit or shall set forth a formula for determining the value of each Performance Unit at the time of payment (the "Ending Value"). If necessary to make the calculation of the amount to be paid to the Participant pursuant to Sections 12.03 and 12.04, the Committee shall also state in the award agreement the initial value of each Performance Unit (the "Initial Value"). The award agreement may also specify that each Performance Unit is deemed to be equivalent to one (1) share of Common Stock. Performance Units granted to a Participant shall be credited to an account (a "Performance Unit Account") established and maintained for such Participant.

12.02. *Performance Period*. "Performance Period" shall mean such period of time as shall be determined by the Committee in its sole discretion. Different Performance Periods may be established for different Participants receiving Performance Units. Performance Periods may run consecutively or concurrently.

12.03. *Right to Payment of Performance Units*. All applicable terms and conditions shall be set forth in the award agreement and/or in accompanying terms and conditions on or before the date of grant of Performance Units. With respect to each award of Performance Units under this Plan, the Committee shall specify performance objectives (the "**Performance Objectives**") which must be satisfied in order for the Participant to vest in the Performance Units which have been awarded to the Participant for the Performance Period. If the Performance Objectives established for a Participant for the Performance Period are partially but not fully met, the Committee may, nonetheless, in its sole discretion, determine that all or a portion of the Performance Units have vested but such determination shall not change the date of payment of the awards. If the Performance Objectives for a Performance Period are exceeded, the Committee may, in its sole discretion, grant additional, fully vested Performance Units to the Participant. On or before the date of grant, the Committee may also determine, in its sole discretion, that Performance Units awarded to a Participant shall become partially or fully vested upon the Participant's death, total disability (as defined in Article IX) or retirement (as defined in Section 11.02), or upon the Participant's Termination of Employment prior to the end of the Performance Period but such determination shall not change the date of payment of the awards. Performance Unit awards represent an unfunded promise to pay the Participant the value specified in the award agreement and/or applicable terms and conditions in the future if the conditions associated with the Performance Unit award are satisfied and the Performance Units are not otherwise forfeited prior to the stated date of payment, under the terms and conditions applicable to such award. The provisions of Section 11.07 shall apply to any Performance Units that are intended to qualify as performance-based in accordance with Code Section 162(m) and the Treasury Regulations thereunder.

12.04. *Payment for Performance Units*. As soon as practicable following the end of a Performance Period but not later than 90 days after the end of a Performance Period, the Committee shall determine whether the Performance Objectives for the Performance Period have been achieved (or partially achieved to the extent necessary to permit partial vesting at the discretion of the Committee pursuant to Section 12.03). If the Performance Objectives for the Performance Period have been exceeded, the Committee shall determine whether additional Performance Units shall be granted to the Participant pursuant to Section 12.03. Within 90 days after the end of a Performance Period, provided the Committee determines the Performance Objectives have been achieved or partially achieved pursuant to Section 12.03, if the award agreement specifies that each Performance Unit is deemed to be equivalent to one (1) share of Common Stock, the Company shall pay to the Participant an amount with respect to each vested Performance Unit equal to the Fair Market Value of a share of Common Stock on such payment date or, if the Committee shall so specify at the time of grant, an amount equal to (i) the Fair Market Value of a share of Common Stock on the payment date less (ii) the Fair Market Value of a share of Common Stock on the date of grant of the Performance Unit. Payment shall be made entirely in cash, entirely in Common Stock or in such combination of cash and Common Stock as the Committee shall determine. If the award agreement specifies a value for each Performance Unit or sets forth a formula for determining the value of each Performance Unit at the time of payment, then within 90 days after the end of a Performance Period, provided the Committee determines the Performance Objectives have been achieved or partially achieved pursuant to Section 12.03, the Company shall pay to the Participant an amount with respect to each vested Performance Unit equal to the Ending Value of the Performance Unit or, if the Committee shall so specify at the time of grant, an amount equal to (i) the Ending Value of the Performance Unit less (ii) the Initial Value of the Performance Unit. Payment shall be made entirely in cash, entirely in Common Stock or in such combination of cash and Common Stock as the Committee shall determine.

12.05. *Voting and Dividend Rights*. Except as the Committee may otherwise provide, no Participant shall be entitled to any voting rights, to receive any dividends, or to have his or her Performance Unit Account credited or increased as a result of any dividends or other distribution with respect to Common Stock. Notwithstanding the foregoing, to the extent provided or set forth in the award agreement and/or applicable terms and conditions on or before the date of grant of a Performance Unit award, within sixty (60) days after the date of payment of a dividend by the Company on its shares of Common Stock, a Participant's Performance Unit Account may be credited with additional Performance Units having an aggregate Fair Market Value equal to the dividend per share paid on the Common Stock multiplied by the number of Performance Units credited to the Participant's account at the time the dividend was declared. Payment of such additional Performance Units shall be made at the same time and in the same manner as the Performance Units to which they relate.

ARTICLE XIII

UNRESTRICTED SHARES

13.01. *Award of Unrestricted Shares*. The Committee may cause the Company to grant Unrestricted Shares to associates at such time or times, in such amounts and for such reasons as the Committee, in its sole discretion, shall determine. No payment shall be required for Unrestricted Shares.

13.02. *Delivery of Unrestricted Shares*. The Company shall issue, in the name of each Participant to whom Unrestricted Shares have been granted, stock certificates representing the total number of Unrestricted Shares granted to the associate, and shall deliver such certificates to the Participant on a fixed or objectively determinable date of payment, which shall be set forth at the time of grant.

13.03. *Deferred Share Units*. For Plan Years beginning after 2005, the Committee may permit a Participant who has been designated to receive an Unrestricted Share award to elect to receive such Unrestricted Share award in the form of Deferred Share Units.

Any such election must be made on or before December 31 of the calendar year prior to the year the compensation attributable to such award (or any portion of such award) is earned, and shall be irrevocable after such date, and further shall comply with the rules set forth in Section 11.08, which apply to deferral elections, including such rules relating to invalid and valid but incomplete deferral elections. Each "Deferred Share Unit" represents the right to receive a share of Common Stock in the future. At no time shall any assets of the Company be segregated for payment of Deferred Share Units hereunder. Participants who have elected to receive Unrestricted Shares in the form of Deferred Share Units shall at all times have the status of general unsecured creditors of the Company and shall not have any rights in or against specific assets of the Company. The Plan constitutes a mere promise by the Company to make payments on Deferred Share Units in the future.

After the award of Deferred Share Units to the Participant and prior to the time that shares of Common Stock are transferred to the Participant pursuant to Section 13.04, within sixty (60) days after the date of payment of a dividend by the Company on its shares of Common Stock, the Participant shall be credited with "dividend equivalents" with respect to each outstanding Deferred Share Unit in an amount equal to the amount the Participant would have received as dividends if the Deferred Share Units were actual shares of Common Stock.

Such dividend equivalents will be converted into additional Deferred Share Units based on the value of the Common Stock on the dividend payment date, in accordance with the procedures established by the Committee, and paid at the same time and in the same manner as the underlying Deferred Share Units.

13.04. *Payment of Deferred Share Units*. Deferred Share Units are payable solely in shares of unrestricted Common Stock, and shall be paid in accordance with the terms of delivery under Section 13.03 and this Section 13.04. Shares applicable to such awards shall be transferred to the Participant at the time and in the form as elected by the Participant and as set forth in the terms and conditions applicable to such awards, which shall be either in a single payment or in up to ten (10) installment payments.

If a lump sum distribution is elected, the payment shall be made on the date provided in, and in accordance with, the terms and conditions applicable to the award. If installment distributions are elected, the initial installment shall be paid on the date provided in, and in accordance with, the terms and conditions applicable to the award. Subsequent installments shall be made on each anniversary of the initial installment and shall continue for the duration of the selected distribution period. If the Participant dies prior to the time all shares have been distributed, distribution shall be made to the Participant's beneficiary or estate on the payment date provided in, and in accordance with, the terms and conditions applicable to the award. A Participant shall have no rights as a shareholder with respect to Deferred Share Units until such time, if any, as shares of Common Stock are transferred to the Participant (or the Participant's beneficiary or estate, if applicable). Notwithstanding the above, if the Participant is a specified employee and is entitled to receive payment upon Termination of Employment or on a date determinable based on the date of Termination of Employment (and not a pre-determined fixed date or schedule), then, except in the event of the Participant's death after such Termination of Employment, such payment (or in the case of installments, the first payment) shall be delayed by at least six (6) months after the date of such Participant's Termination of Employment, to the extent required by Section 409A; in this event, subsequent installment payments shall occur on the anniversary of the first delayed installment payment.

Provided that the terms and conditions applicable to a Deferred Share Unit award permit it, a Participant may change the Participant's distribution election, provided such change in distribution election shall comply with the procedures and rules set forth in Section 11.09 which apply to change in distribution elections, including such rules relating to invalid and valid but incomplete change in distribution elections.

ARTICLE XIV

TAX OFFSET PAYMENTS

14.01. *Tax Offset Payments*. The Committee shall have the authority at the time of any award under this Plan or anytime thereafter to make Tax Offset Payments to assist Participants in paying income taxes incurred as a result of their participation in this Plan, provided that such payments are made by the end of the calendar year after the year in which the Participant remits the related taxes. The Tax Offset Payments shall be determined by multiplying a percentage established by the Committee by all or a portion (as the Committee shall determine) of the taxable income recognized by a Participant upon (i) the exercise of a Nonstatutory Stock Option or a Stock Appreciation Right, (ii) the disposition of shares received upon exercise of an Incentive Stock Option, (iii) the lapse of restrictions on RSUs, (iv) the award of Unrestricted Shares, or (v) payments for Performance Units. The percentage shall be established, from time to time, by the Committee at that rate which the Committee, in its sole discretion, determines to be appropriate and in the best interests of the Company to assist Participants in paying income taxes incurred as a result of the events described in the preceding sentence. However, such percentage rate shall not be negotiable with Participants or otherwise, and the percentage rate determined to be used shall be uniformly applied to Participants. Tax Offset Payments shall be subject to the restrictions on transferability applicable to Options and Stock Appreciation Rights under Article VIII.

ARTICLE XV

ADJUSTMENTS; REPRICING

15.01. *Adjustments*. Notwithstanding any other provision of the Plan, the Committee shall make or provide for such adjustments to the Plan, to the number and class of shares available thereunder or to any outstanding Options, Stock Appreciation Rights, RSUs Performance Units or other awards as it shall deem appropriate to prevent dilution or enlargement of rights, including adjustments in the event of changes in the number of shares of outstanding Common Stock by reason of stock dividends, extraordinary cash dividends, split-ups, recapitalizations, mergers, consolidations, combinations or exchanges of shares, separations, reorganizations, liquidations and the like. However, any such adjustment with respect to Options and Stock Appreciation Rights shall satisfy the requirements of Reg. §1.409A-1(b)(5)(v)(D) and shall otherwise ensure that such awards continue to be exempt from Code Section 409A, and any such adjustment to awards that are subject to Code Section 409A, including RSUs and Performance Units, shall be made to the extent compliant with Code Section 409A and the Treasury Regulations thereunder.

15.02. *Repricing*. Except as provided above in connection with a corporate transaction involving the Company (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, or exchange of shares), the terms of outstanding awards may not be amended to reduce the exercise price of outstanding Options or SARs or cancel outstanding Options or SARs in exchange for cash, other awards or Options or SARs with an exercise price that is less than the exercise price of the original Options or SARs without stockholder approval.

ARTICLE XVI

AMENDMENT AND TERMINATION

16.01. *Amendment and Termination*. The Board may suspend, terminate, modify or amend the Plan, provided that any amendment that would constitute a "material revision" of the Plan within the meaning of New York Stock Exchange Rule 303A(8) shall be subject to the approval of the Company's stockholders. If the Plan is terminated, the terms of the Plan shall, notwithstanding such termination, continue to apply to awards granted prior to such termination. No suspension, termination, modification or amendment of the Plan may, without the consent of the Participant to whom an award shall theretofore have been granted, adversely affect the rights of such Participant under such award.

ARTICLE XVII

WRITTEN AGREEMENT

17.01. *Written Agreements*. Each award of Options, Stock Appreciation Rights, RSUs, Performance Units, Unrestricted Shares and Tax Offset Payments shall be evidenced by a written agreement, executed by the Participant and the Company, and containing such restrictions, terms and conditions, if any, as the Committee may require. In the event of any conflict between a written agreement and the Plan, the terms of the Plan shall govern.

ARTICLE XVIII

CHANGE IN CONTROL

18.01. *Definition of Change in Control*. For purposes of this Plan, a "**Change in Control**" means, and shall be deemed to have occurred upon, the occurrence of any of the following events:

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

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

(c) A reorganization, merger or consolidation of Limited Brands, Inc. is consummated, in each case, unless, immediately following such reorganization, merger or consolidation, (i) more than 50% of, respectively, the then outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the "beneficial owners" of the Voting Stock of Limited Brands, Inc. outstanding immediately prior to such reorganization, merger or consolidation, (ii) no Person (but excluding for this purpose any Excluded Person and any Person beneficially owning, immediately prior to such reorganization, merger or consolidation, directly or indirectly, 33% or more of the voting power of the outstanding Voting Stock of Limited Brands, Inc.) beneficially owns, directly or indirectly, 33% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation or the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors and (iii) at least a majority of the members of the board of directors of the corporation resulting from such reorganization, merger or consolidation were members of the Board of Directors of Limited Brands, Inc. at the time of the execution of the initial agreement providing for such reorganization, merger or consolidation; or

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

Notwithstanding the foregoing, in no event shall a "Change in Control" be deemed to have occurred (i) as a result of the formation of a Holding Company, or (ii) with respect to a Participant, if the Participant is part of a "group," within the meaning of Section 13(d)(3) of the Exchange Act as in effect on the Effective Date, which consummates the Change in Control transaction. In addition, for purposes of the definition of "Change in Control" a Person engaged in business as an underwriter of securities shall not be deemed to be the "beneficial owner" of, or to "beneficially own," any securities acquired through such Person's participation in good faith in a firm commitment underwriting until the expiration of forty (40) days after the date of such acquisition. "Excluded Person" shall mean (i) Limited Brands, Inc.; (ii) any of Limited Brands, Inc.'s Subsidiaries; (iii) any Holding Company; (iv) any employee benefit plan of Limited Brands, Inc., any of its Subsidiaries or a Holding Company; or (v) any Person organized, appointed or established by Limited Brands, Inc., any of its Subsidiaries or a Holding Company for or pursuant to the terms of any plan described in clause (iv). "**Person**" shall mean any individual composition, partnership, limited liability company, associations, trust or other entity or organization. "Holding Company" shall mean an entity that becomes a holding company for Limited Brands, Inc. or its businesses as a part of any reorganization, merger, consolidation or other transaction, provided that the outstanding shares of common stock of such entity and the combined voting power of the then outstanding voting securities of such entity entitled to vote generally in the election of directors is, immediately after such reorganization, merger, consolidation or other transaction, beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the "beneficial owners", respectively, of the Voting Stock of Limited Brands, Inc. outstanding immediately prior to such reorganization, merger, consolidation or other transaction in substantially the same proportions as their ownership, immediately prior to such reorganization, merger, consolidation or other transaction, of such outstanding Voting Stock of Limited Brands, Inc. "**Voting Stock**" shall mean securities of the Company entitled to vote generally in the election of the Company's Board of Directors.

18.02. *Effect of Change in Control*. Unless otherwise provided under the terms of any award, immediately upon a Change in Control with respect to a Participant, (i) Options and Stock Appreciation Rights granted to such Participant which are not yet exercisable shall become fully exercisable; and (ii) any restrictions applicable to any RSUs awarded to such Participant shall be deemed to have been satisfied and the Restricted Period, if any, applicable to such RSUs held by such Participant shall be deemed to have expired. Notwithstanding the foregoing, or the provisions of Section 11.06, if the accelerated settlement of any RSU would cause the application of additional taxes under Section 409A of the Code, such RSU will be settled on the date it would otherwise have been settled in the absence of a Change in Control, unless the transaction constituting the Change in Control falls within the definition of a "change in control event" within the meaning of Code Section 409A and the Treasury Regulations thereunder.

ARTICLE XIX

MISCELLANEOUS PROVISIONS

19.01. *Definitions: Fair Market Value and Cause*. "**Fair Market Value**," for purposes of this Plan, shall be the closing price of the Common Stock as reported on the principal exchange on which the shares are listed for the date on which the grant, exercise or other transaction occurs, or if there were no sales on such date, the most recent prior date on which there were sales. "**Cause**," for purposes of this Plan, shall mean that the Participant (1) was grossly negligent in the performance of the Participant's duties with the Company (other than a failure resulting from the Participant'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 misconduct in bad faith which could reasonably be expected to materially harm the Company’s business or its reputation. The Participant shall be given written notice by the Company of a termination for Cause, which shall state in detail the particular act or acts or failures to act that constitute the grounds on which the termination for Cause is based.

19.02. *Tax Withholding*. The Company shall have the right to require Participants or their beneficiaries or legal representatives to remit to the Company an amount sufficient to satisfy federal, state and local withholding tax requirements, or to deduct from all payments under this Plan, including Tax Offset Payments, amounts sufficient to satisfy all withholding tax requirements. Whenever payments under the Plan are to be made to a Participant in cash, such payments shall be net of any amounts sufficient to satisfy all federal, state and local withholding tax requirements. The Committee may, in its discretion, permit a Participant to satisfy the Participant’s tax withholding obligation either by (i) surrendering shares owned by the Participant or (ii) having the Company withhold from shares otherwise deliverable to the Participant. Shares surrendered or withheld shall be valued at their Fair Market Value as of the date on which income is required to be recognized for income tax purposes. In the case of an award of Incentive Stock Options, the foregoing right shall be deemed to be provided to the Participant at the time of such award.

19.03. *Compliance With Section 16(b) and Code Section 162(m)*. In the case of Participants who are or may be subject to Section 16 of the Act, it is the intent of the Company that the Plan and any award granted hereunder satisfy and be interpreted in a manner that satisfies the applicable requirements of Rule 16b-3, so that such persons will be entitled to the benefits of Rule 16b-3 or other exemptive rules under Section 16 of the Act and will not be subjected to liability thereunder. If any provision of the Plan or any award would otherwise conflict with the intent expressed herein, that provision, to the extent possible, shall be interpreted and deemed amended so as to avoid such conflict. To the extent of any remaining irreconcilable conflict with such intent, such provision shall be deemed void as applicable to Participants who are or may be subject to Section 16 of the Act. If any award hereunder is intended to qualify as performance-based for purposes of Code Section 162(m), the Committee shall not exercise any discretion to increase the payment under such award except to the extent permitted by Code Section 162(m) and the Treasury Regulations thereunder.

19.04. *Successors*. The obligations of the Company under the Plan shall be binding upon any successor corporation or organization resulting from the merger, consolidation or other reorganization of the Company, or upon any successor corporation or organization succeeding to substantially all of the assets and businesses of the Company. In the event of any of the foregoing, the Committee may, at its discretion prior to the consummation of the transaction, cancel, offer to purchase, exchange, adjust or modify any outstanding awards, at such time and in such manner as the Committee deems appropriate and in accordance with applicable law and the provisions of Article XV.

19.05. *General Creditor Status*. Participants shall have no right, title, or interest whatsoever in or to any investments which the Participant may make to aid it in meeting its obligations under the Plan. Nothing contained in the Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and any Participant or beneficiary or legal representative of such Participant. To the extent that any person acquires a right to receive payments from the Company under the Plan, such right shall be no greater than the right of an unsecured general creditor of the Company. All payments to be made hereunder shall be paid from the general funds of the Company and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of such amounts except as expressly set forth in the Plan.

19.06. *No Right to Employment*. Nothing in the Plan or in any written agreement entered into pursuant to Article XVII, nor the grant of any award, shall confer upon any Participant any right to continue in the employ of the Company or a subsidiary or to be entitled to any remuneration or benefits not set forth in the Plan or such written agreement or interfere with or limit the right of the Company or a subsidiary to modify the terms of or terminate such Participant’s employment at any time.

19.07. *Notices*. Notices required or permitted to be made under the Plan shall be sufficiently made if sent by registered or certified mail addressed (a) to the Participant at the Participant's address set forth in the books and records of the Company or its subsidiaries, or (b) to the Company or the Committee at the principal office of the Company.

19.08. *Severability*. In the event that any provision of the Plan shall be held illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

19.09. *Governing Law*. To the extent not preempted by federal law, the Plan, and all agreements hereunder, shall be construed in accordance with and governed by the laws of the State of Delaware.

19.10. *Term of Plan*. Unless earlier terminated pursuant to Article XVI hereof, the Plan shall terminate on May 28, 2014.

PROPOSED AMENDMENT TO THE CERTIFICATE OF INCORPORATION TO PROVIDE FOR THE ANNUAL ELECTION OF DIRECTORS

Article 6

SIXTH. Section 1. Election of Directors. Subject to the special right of the holders of any class or series of Preferred Stock, voting separately as a class, to elect one or more directors of the Corporation:

(a) From the effective date of this Certificate of Amendment until the election of directors at the 2010 annual meeting of stockholders, pursuant to Section 141(d) of the General Corporation Law of the State of Delaware, the Board shall be divided into three classes of directors, Class I, Class II and Class III (each class as nearly equal in number as possible), with the directors in Class I having a term expiring at the 2011 annual meeting, the directors in class II having a term expiring at the 2012 annual meeting and the directors in Class III having a term expiring at the 2010 annual meeting.

(b) Commencing with the election of the directors at the 2010 annual meeting of stockholders, pursuant to Section 141(d) of the General Corporation Law of the State of Delaware, the Board shall be divided into two classes of directors, Class I and Class II, with the directors in Class I having a term that expires at the 2011 annual meeting and the directors in Class II having a term that expires at the 2012 annual meeting. The successors of the directors who, immediately prior to the 2010 annual meeting, were members of Class III (and whose terms expire at the 2010 annual meeting) shall be elected to Class I; the Class I directors who, immediately prior to the 2010 Annual Meeting, were members of Class I and whose terms were scheduled to expire at the 2011 annual meeting shall be assigned by the Board of Directors to Class I; and the directors who, immediately prior to the 2010 annual meeting, were members of Class II and whose terms were scheduled to expire at the 2012 annual meeting shall be assigned by the Board of Directors to Class II for a term expiring at the 2012 annual meeting.

(c) Commencing with the election of directors at the 2011 annual meeting of stockholders, pursuant to Section 141(d) of the General Corporation Law of the State of Delaware, the Board shall be divided into one class of directors, Class II, with the directors in Class II having a term that expires at the 2012 annual meeting. The successors of directors who, immediately prior to the 2011 annual meeting of stockholders, were members of Class I (and whose terms expire at the 2011 annual meeting) shall be elected to Class II for a term that expires at the 2012 annual meeting, and the directors who, immediately prior to the 2011 annual meeting, were members of Class II and whose terms were scheduled to expire at the 2012 annual meeting shall be assigned by the Board of Directors to Class II for a term expiring at the 2012 annual meeting.

(d) Until the 2012 annual meeting of stockholders, the Board shall remain classified as provided in Section 141(d) of the General Corporation Law of the State of Delaware. Commencing with the election of directors at the 2012 annual meeting, the Board shall cease to be classified and the directors elected at the 2012 annual meeting (and each annual meeting thereafter) shall be elected for a term expiring at the next annual meeting.

Each director elected at any annual meeting shall hold office until such director's successor shall have been elected and qualified, subject to prior death, resignation, retirement or removal.

Article 10

TENTH. For so long as the Board of Directors of the Corporation is classified, any director may be removed at any annual meeting or special stockholders' meeting upon the affirmative vote of not less than 75 percent of the outstanding shares of voting stock of the Corporation at that time entitled to vote thereon; provided, however, that such director may be removed only for cause and shall receive a copy of the charges against him, delivered to him personally or by mail at his last known address at least 10 days prior to the date of the stockholders' meeting; provided further, that directors who shall have been elected by the holders of a series or class of Preferred Stock, voting separately as a class, shall be removed only pursuant to the provisions establishing the rights of such series or class to elect such directors.

ADMITTANCE SLIP

2009 ANNUAL MEETING OF STOCKHOLDERS

Date, time and place of meeting:

Date: Thursday, May 28, 2009

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.

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 31, 2009

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 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: $4,275,117,660.

Number of shares outstanding of the registrant's Common Stock as of March 20, 2009: 320,996,436.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the Registrant's 2009 Annual Meeting of Stockholders to be held on May 28, 2009, are incorporated by reference.

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PART I

ITEM 1. BUSINESS.

FORWARD-LOOKING STATEMENTS.

Limited Brands, Inc. (the "Company") cautions that any forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) contained in this report or made by the Company or management of the Company involve risks and uncertainties and are subject to change based on various 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.

A number of factors could cause our results to differ materially from those indicated by such forward-looking statements, including those detailed under the heading, "Risk Factors" in Part I, Item 1A.

GENERAL.

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

FISCAL YEAR.

Our fiscal year ends on the Saturday nearest to January 31. As used herein, "2009", "2008", "2007" and "2005" refer to the 52 week periods ending 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.

As of January 31, 2009, we conducted our business in two primary segments: Victoria's Secret and Bath & Body Works.

VICTORIA'S SECRET

The Victoria's Secret segment sells women's intimate and other apparel, personal care and beauty products and accessories under the Victoria's Secret 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 of Victoria's Secret's merchandise may be purchased worldwide. La Senza products may also be purchased through its website, *www.LaSenza.com.*

In January 2007, we completed our acquisition of La Senza Corporation ("La Senza"). La Senza is a Canadian specialty retailer offering lingerie and sleepwear as well as apparel for girls in the 7-14 year age group. In addition, La Senza licensees operate independently owned stores in 45 other countries. The results of La Senza are included in the Victoria's Secret segment. For additional information, see Note 6 and Note 21 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

The Victoria's Secret segment had net sales of $5.604 billion in 2008 and operated 1,043 stores in the United States and 322 stores in Canada.

BATH & BODY WORKS

The Bath & Body Works segment sells personal care, beauty and home fragrance products under the Bath & Body Works, C.O. Bigelow and White Barn Candle Company brand names in addition to third-party brands. Bath & Body Works merchandise is sold through retail stores, its website, *www.bathandbodyworks.com,* and its catalogue.

The Bath & Body Works segment had net sales of $2.374 billion for 2008 and operated 1,638 stores in the United States.

OTHER

Other consists of the following:

- Henri Bendel, operator of five specialty stores which feature accessories, fashion and personal care products;
- Bath & Body Works Canada, operator of six specialty stores which feature personal care, beauty and home fragrance products;
- Mast, an apparel merchandise sourcing and production company serving Victoria's Secret, La Senza and third-party customers;
- Beauty Avenues, a personal care sourcing and production company serving Victoria's Secret, La Senza and Bath & Body Works; and
- Corporate functions including non-core real estate, equity investments and other governance functions such as treasury and tax.

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.

SUMMARY OF COMPANY-OWNED RETAIL LOCATIONS

The following chart provides the retail businesses and the number of our company-owned retail stores in operation for each business as of January 31, 2009 and February 2, 2008.

	January 31, 2009	February 2, 2008
Victoria's Secret		
Victoria's Secret Stores	1,043	1,020
La Senza	322	312
Total Victoria's Secret	1,365	1,332
Bath & Body Works	1,638	1,592
Henri Bendel	5	2
Bath & Body Works Canada	6	—
Total	3,014	2,926

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
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
2004	3,911	39	(171)	—	3,779

(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.

ADDITIONAL INFORMATION

During 2008, we purchased merchandise from over 1,000 suppliers located throughout the world. Excluding Mast and Beauty Avenues, no supplier provided 10% or more of our merchandise purchases.

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.

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 2008, 2007 and 2006 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.

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.

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.

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 31, 2009, we employed approximately 90,900 associates, 72,100 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, 71, 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, 56, 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, 46, has been our Executive Vice President and Chief Financial Officer since April 2007.

Sharen J. Turney, 52, has been our Chief Executive Officer and President of Victoria's Secret Megabrand and Intimate Apparel since July 2006.

Diane L. Neal, 52, has been our Chief Executive Officer and President of Bath & Body Works since June 2007.

Jane L. Ramsey, 51, 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.

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.

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 would further adversely affect our profitability and cash flow.

The current economic crisis has reduced consumer demand, which has adversely affected our results of operations and may continue to do so. Our financial performance in 2008 was significantly impacted by the global economic downturn and its effect on the retail environment.

Further deterioration in economic conditions, along with increasing unemployment levels, may continue to reduce the level of consumer spending and inhibit customers' use of credit, which may continue to adversely affect our revenues and profits through reduced purchases of our products. In such circumstances, we may increase the number of promotional sales, which would further adversely affect our profitability.

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 the lease payments of certain of our former subsidiaries. Financial difficulties of our customers or those former subsidiaries for whom we guarantee lease payments could adversely impact our results of operations. 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.

Recently, the general economic and capital market conditions in the United States and other parts of the world have deteriorated significantly. These conditions have adversely affected access to capital and increased the cost of capital. Although we believe that our capital structure and credit facilities will provide sufficient liquidity through the credit crisis, there can be no assurance that our liquidity will not be affected by these 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 and other attractions in an area including "destination" retail and other attractions 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 and mall traffic 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 disproportionate effect on our financial condition and results of operations.

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 in each case may further adversely affect profitability.

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 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. In addition, these goals may be adversely affected by the current recessionary conditions.

Our plans for international expansion include risks that could materially adversely impact our growth.

We intend to further expand into international markets. 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. In addition, we also have risks related to identifying suitable partners for our international expansion. Further, entry into this market may bring us into competition with new competitors or with existing competitors with an established market presence. We cannot ensure the profitability of our expansion into international markets. These risks could have a material adverse effect on our financial condition and results of operations.

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 a material adverse effect on our financial condition or results from operations.

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 and (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, telecommunication failures and electronic break-ins and similar disruptions. Any of these events could adversely affect our business.

Our failure to protect our reputation could have an 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 maintain high ethical, social and environmental standards for all of our operations and activities or adverse publicity regarding our responses to these concerns could also jeopardize our reputation. 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 reasons could have a material adverse effect on our business, financial condition and results of operations, as well as require additional resources to rebuild our reputation.

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

We believe that our trade names and trademarks are an essential element of our strategy. We have obtained or applied for federal registration of these trade names and trademarks 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 materially adversely affected.

Our results can be adversely affected by market disruptions.

Market disruptions due to severe weather conditions, natural disasters, health hazards, terrorist activities 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, our financial condition could be harmed and future results of operations could be adversely affected. Additionally, our failure to maintain our credit rating would result in higher interest costs under our existing debt terms.

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 related agreements require maintenance of certain financial ratios which limit the total amount we may borrow and also prohibit certain types of liens on property or assets. If we violate the financial ratios associated with these debt agreements, we may be required to accelerate repayment of this 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 financial condition and results of operations. 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 financial condition and results of operations. 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 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 could require us to pay higher wages to attract a sufficient number of employees. 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 business, financial condition and results of operations.

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;
- 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 may have a material adverse effect on our business.

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 financial condition and results of operations.

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 financial condition and results of operations.

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 result in future costs significantly in excess of historical costs and 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, controls and reporting.

In addition, we are currently implementing modifications and upgrades to the information technology systems for merchandise, sourcing, distribution, e-commerce and support systems, including 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. The launch of these successor systems will take place in a phased approach. 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 Securities and Exchange Commission and the New York Stock Exchange (the "NYSE"). Failure to comply with such laws and regulations could have a material adverse effect on our reputation, financial condition and on the market price of our common stock.

We may be subject to certain 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, financial condition and on the market price of our common stock.

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 31, 2009:

Location	Use	Approximate Square Footage
Columbus, Ohio	Corporate, distribution and shipping	6,414,000
New York, New York	Office, sourcing and product development/design	554,000
Montreal, Quebec, Canada	Office, distribution and shipping	455,000
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	33,000

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 31, 2009, we operate 2,686 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 2009 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 355,000 square feet. Additionally, we lease additional office facilities in the Montreal area comprised of approximately 100,000 square feet.

As of January 31, 2009, we operate 328 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 2009 and 2024.

Other International

As of January 31, 2009, we also have global representation through 497 independently owned “La Senza” and “La Senza Girl” stores operated by licensees in 45 countries under 13 license agreements.

We also operate small sourcing-related office facilities in various foreign 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.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not applicable.

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 31, 2009, there were approximately 59,000 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 165,000.

The following table provides our quarterly market prices and cash dividends per share for 2008 and 2007:

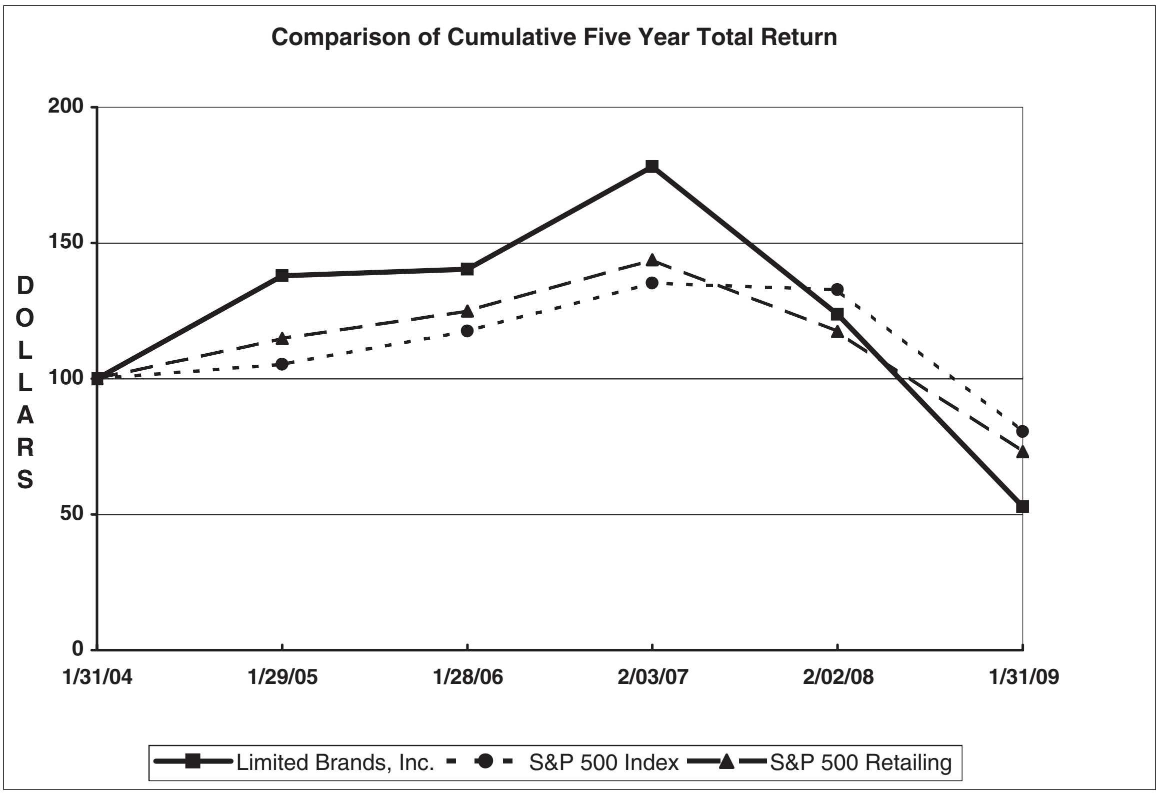
	Market Price		Cash Dividend
	High	Low	Per Share
2008			
Fourth quarter	$12.25	$ 6.90	$0.15
Third quarter	22.16	9.85	0.15
Second quarter	19.73	14.45	0.15
First quarter	19.45	14.41	0.15
2007			
Fourth quarter	$21.92	$14.82	$0.15
Third quarter	24.85	20.73	0.15
Second quarter	29.30	22.81	0.15
First quarter	29.88	24.87	0.15

Form 10-K

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 1/31/04 – INCLUDING REINVESTMENT OF DIVIDENDS.



The following table provides our repurchases of our common stock during the fourth quarter of 2008:

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 2008	4,963	$8.63	4,958	$31,244
December 2008	3	9.54	—	31,244
January 2009	—	—	—	31,244
Total	4,966	8.64	4,958	31,244

(a) The total number of shares repurchased primarily includes shares repurchased as part of publicly announced programs, with the remainder relating to shares repurchased in connection with (i) tax payments due upon vesting of employee restricted stock awards, and (ii) the use of our stock to pay the exercise price on employee stock options.
(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 31, 2009	February 2, 2008	February 3, 2007(a)(b)	January 28, 2006(c)	January 29, 2005
			(in millions)		
Summary of Operations					
Net Sales	$ 9,043	$10,134	$ 10,671	$ 9,699	$ 9,408
Gross Profit (d)	3,006	3,509	4,013	3,480	3,394
Operating Income (e)	589	1,110	1,176	986	1,027
Income Before Cumulative Effect of Changes in Accounting Principle (f)	220	718	675	666	705
Cumulative Effect of Changes in Accounting Principle(b)(c)	—	—	1	17	—
Net Income (f)	220	718	676	683	705
			(as a percentage of net sales)		
Gross Profit (d)	33.2%	34.6%	37.6%	35.9%	36.1%
Operating Income	6.5%	11.0%	11.0%	10.2%	10.9%
Income Before Cumulative Effect of Changes in Accounting Principle	2.4%	7.1%	6.3%	6.9%	7.5%
Per Share Results					
Net Income per Basic Share:					
Income Before Cumulative Effect of Changes in Accounting Principle	$ 0.66	$ 1.91	$ 1.71	$ 1.66	$ 1.50
Net Income per Basic Share	0.66	1.91	1.71	1.70	1.50
Net Income per Diluted Share:					
Income Before Cumulative Effect of Changes in Accounting Principle	$ 0.65	$ 1.89	$ 1.68	$ 1.62	$ 1.47
Net Income per Diluted Share	0.65	1.89	1.68	1.66	1.47
Dividends per Share (g)	$ 0.60	$ 0.60	$ 0.60	$ 0.60	$ 1.71
Weighted Average Diluted Shares Outstanding (in millions)	337	380	403	411	479
Other Financial Information			(in millions)		
Cash and Cash Equivalents	$ 1,173	$ 1,018	$ 500	$ 1,208	$ 1,161
Total Assets	6,972	7,437	7,093	6,346	6,089
Working Capital	1,612	1,545	1,062	1,209	1,233
Net Cash Provided by Operating Activities	954	765	600	1,081	933
Capital Expenditures	479	749	548	480	431
Long-term Debt	2,897	2,905	1,665	1,669	1,646
Other Long-term Liabilities	732	709	520	452	447
Shareholders' Equity	1,874	2,219	2,955	2,471	2,335
Return on Average Shareholders' Equity	11%	28%	25%	28%	19%
Comparable Store Sales (Decrease) Increase (h)	(9%)	(2%)	7%	(1%)	4%
Return on Average Assets	3%	10%	10%	11%	10%
Debt-to-equity Ratio	155%	131%	56%	68%	70%
Current Ratio	2.3	2.1	1.6	1.8	1.9
Stores and Associates at End of Year					
Number of Stores (i)	3,014	2,926	3,766	3,590	3,779
Selling Square Feet (in thousands) (i)	10,898	10,310	15,719	15,332	15,801
Number of Associates	90,900	97,500	125,500	110,000	115,300

(a) Fifty-three week fiscal year.

(b) On January 29, 2006, we adopted Statement of Financial Accounting Standards 123 (revised 2004), *Share-Based Payment* ("SFAS 123(R)"), 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 2 and 20 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

The cumulative effect of adopting SFAS 123(R) 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 method. 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) Amounts presented are restated for 2007 to conform to current period presentation.

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

(i) 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.
(ii) 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.
(iii) In 2006, $26 million in incremental share-based compensation expense related to the adoption of SFAS 123(R).
(iv) In 2005, $30 million related to initial recognition of income for unredeemed gift cards at Bath & Body Works and Express.
(v) In 2004, a $61 million charge to correct our accounting for straight-line rent and the depreciation and amortization of leasehold improvements and certain landlord allowances.

For additional information on 2008, 2007 and 2006 items, see the Notes to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

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

(i) 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.
(ii) 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.

(iii) 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.

(iv) In 2004, pre-tax non-operating gains of $90 million related to New York & Company and $18 million related to Galyan's Trading Company, Inc.

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

(g) In 2004, dividends per share include a special dividend of $1.23 per share.

(h) 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.

(i) 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 whose well-told stories create loyal customers and deliver sustained growth for our stakeholders.

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

- Grow our core brands in current channels and geographies;
- Extend our core brands into larger footprints and new channels and geographies;
- Incubate and grow new brands in current channels;
- Build enabling infrastructure and capabilities;
- Become the top destination for talent; and
- Optimize our capital structure.

2008 Overview

We anticipated that the retail environment would be challenging in 2008. However, the holiday season was much more difficult than expected as a result of the global economic downturn and its impact on the U.S. and Canadian retail environment. Our financial performance in 2008 was significantly impacted by the downturn. Our net sales decreased 11% to $9.043 billion, driven by a comparable store sales decrease of 9%, and our operating income decreased $521 million to $589 million. The decline in our operating income included a $215 million impairment of goodwill and other intangible assets related to our La Senza business. For additional information related to our 2008 financial performance, see "Results of Operations—2008 Compared to 2007."

As a result of these challenges, we focused on the conservative management of retail fundamentals including:

- Inventory levels—we ended 2008 down 6% and 33% as compared to 2007 and 2006, respectively, and our inventory per selling square foot ended 2008 down 8% and 34% compared to 2007 and 2006, respectively;
- Operating expenses—we have taken 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 $749 million in 2007 to $479 million in 2008. We are currently planning capital expenditures of approximately $200 million in 2009;
- Cash and liquidity—we generated cash flow from operations of $954 million in 2008 and ended 2008 with $1.2 billion in cash. Additionally, in February 2009, we renegotiated the covenants on our $750 million term loan and $1 billion revolving credit facility to provide us additional flexibility in this uncertain environment.

Despite the challenging environment during 2008, we accomplished the following in terms of the execution of our business strategy:

- The stabilization of operations in our new distribution center for Victoria's Secret Direct;
- The divestiture of a personal care joint venture in the first quarter of 2008 which generated pre-tax cash proceeds of $159 million and a pre-tax gain of $128 million;
- The successful introduction of Bath & Body Works stores into Canada; and
- The implementation of our new supply chain systems at Mast.

2009 Outlook

Economic Environment

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

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 difficult environment. We believe that our brands, which lead their categories and offer high emotional content at accessible prices, are well positioned heading into 2009.

International Expansion

We anticipate opening approximately 20 new Bath & Body Works Canada stores in 2009. The six stores that we opened in 2008 have exceeded our performance expectations. Additionally, we will continue to explore other international opportunities in 2009.

Capital Expenditures

We plan to spend approximately $200 million in 2009 on capital expenditures with the majority relating to opening new stores and remodeling and improving existing stores. We expect to open approximately 50 new stores in the U.S. and Canada and to remodel approximately 40 stores during 2009.

Store Data

The following table compares 2008 store data to the comparable periods for 2007 and 2006:

	2008	2007	2006	% Change 2008	% Change 2007
Sales Per Average Selling Square Foot					
Victoria's Secret Stores	$ 620	$ 694	$ 731	(11%)	(5%)
La Senza (a) (b) (c)	524	529	NM	(1%)	NM
Bath & Body Works	594	655	697	(9%)	(6%)
Sales per Average Store (in thousands)					
Victoria's Secret Stores	$3,480	$3,678	$3,698	(5%)	(1%)
La Senza (a) (b) (c)	1,551	1,619	NM	(4%)	NM
Bath & Body Works	1,410	1,540	1,613	(8%)	(5%)
Average Store Size (selling square feet)					
Victoria's Secret Stores	5,727	5,489	5,111	4%	7%
La Senza (a) (c)	3,026	2,888	NM	5%	NM
Bath & Body Works	2,378	2,370	2,331	—%	2%
Total Selling Square Feet (in thousands)					
Victoria's Secret Stores	5,973	5,599	5,126	7%	9%
La Senza (a) (c)	974	901	944	8%	(5%)
Bath & Body Works	3,895	3,773	3,604	3%	5%

(a) La Senza was acquired on January 12, 2007.
(b) Excluding the impact of currency fluctuations, sales per average selling square foot were flat for 2008 and sales per average store decreased 3% for 2008.
(c) Metric excludes independently owned La Senza stores operated by licensees.
NM Not meaningful

The following table compares 2008 store data to the comparable periods for 2007 and 2006:

Number of Stores (a)	2008	2007	2006
Victoria's Secret			
Beginning of Period	1,020	1,003	998
Opened	41	35	24
Closed	(18)	(18)	(19)
End of Period	1,043	1,020	1,003
La Senza (b)			
Beginning of Period	312	291	—
Opened	15	27	—
Closed	(5)	(6)	(2)
Acquired	—	—	293
End of Period	322	312	291
Bath & Body Works			
Beginning of Period	1,592	1,546	1,555
Opened	80	67	20
Closed	(34)	(21)	(29)
End of Period	1,638	1,592	1,546
Apparel			
Beginning of Period	—	918	1,035
Opened	—	—	2
Closed	—	(49)	(119)
Divested (c)	—	(869)	—
End of Period	—	—	918

(a) Excludes Henri Bendel store locations (5 in 2008 and 2 in 2007 and 2006), Bath & Body Works Canada store locations (6 in 2008 and 0 in 2007 and 2006) and Diva London store locations (0 in 2008 and 2007 and 6 in 2006).
(b) Number of stores excludes independently owned La Senza stores operated by licensees.
(c) Represents stores related to the 75% divestitures of our ownership interests in Express and Limited Stores in July 2007 and August 2007, respectively.

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

(a) Amounts presented are restated to conform with the corporate cost allocation methodology adopted at the beginning of 2008. For additional information, see Note 21 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.
(b) 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 10 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.
(c) 2007 includes $48 million related to initial recognition of income for unredeemed gift cards for Victoria's Secret.
(d) 2007 includes a $230 million net gain related to the divestiture of Express and Limited Stores. For additional information, see Note 6 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.
(e) Includes Corporate, Mast, Henri Bendel and Bath & Body Works Canada.
(f) 2008 includes a $109 million net gain on joint ventures. For additional information, see Note 6 and Note 11 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.
(g) 2008 includes $23 million of expense related to restructuring activities. For additional information, see Note 7 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.
(h) 2007 includes restructuring and impairment charges totaling $53 million, which excludes both the $6 million of minority interest income associated with the charges and $25 million in gains related to the sale of corporate aircraft. For additional information, see Note 7 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 Bath & Body Works Canada.
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 (a)	162	73	(870)	14	(621)
Direct Channels	124	19	—	—	143
Mast Third-party Sales and Other	—	—	—	(112)	(112)
2008 Net Sales	$5,604	$2,374	$ —	$1,065	$ 9,043

(a) Victoria's Secret includes a $19 million decrease in net sales at La Senza related to currency fluctuations.

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%
Henri Bendel	1%	2%
Total Comparable Store Sales	(9%)	(2%)

(a) Reflects comparable store sales prior to the divestitures of Express and Limited Stores in July 2007 and August 2007, respectively.
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 strong 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 corporate aircraft 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. For additional information, see Critical Accounting Policies and Estimates and Note 10 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.

Minority Interest

For 2008, minority interest decreased $18 million to $4 million. Minority interest represents the proportional share of net income or losses of consolidated, less than wholly owned subsidiaries attributable to the minority 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.

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 is not deductible for income tax purposes.

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

(a) Amounts presented are restated to conform with the corporate cost allocation methodology adopted at the beginning of 2008. For additional information, see Note 21 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.
(b) 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 10 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.
(c) 2007 includes $48 million related to initial recognition of income for unredeemed gift cards for Victoria's Secret.
(d) Includes Corporate, Mast, Henri Bendel and Bath & Body Works Canada.
(e) 2008 includes $23 million in restructuring charges. For additional information, see Note 7 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:

	2008	2007	% Change
Fourth Quarter	(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, Beauty Avenues, Henri Bendel and Bath & Body Works Canada.

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 (a)	(14)	18	11	15
Direct Channels	16	7	—	23
Mast Third-party Sales and Other	—	—	(86)	(86)
2008 Net Sales	$1,767	$ 998	$226	$2,991

(a) Victoria's Secret includes a $31 million decrease in net sales at La Senza related to currency fluctuations.

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%)
Henri Bendel	(14%)	6%
Total Comparable Store Sales	(10%)	(8%)

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 investment in our new and remodeled stores.
- At Victoria's Secret Direct, gross profit decreased as a result of a decline in merchandise margin 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 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. For additional information, see Critical Accounting Policies and Estimates and Note 10 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 our investment portfolio shift 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 is not deductible for income tax purposes.

Results of Operations—2007 Compared to 2006

Operating Income

The following table provides our segment operating income (loss) and operating income rates (expressed as a percentage of net sales) for 2007 in comparison to 2006:

	2007(a)	2006(a)	Operating Income Rate 2007	Operating Income Rate 2006
	(in millions)			
Victoria's Secret	$ 718	$ 879	12.8%	17.1%
Bath & Body Works	302	420	12.1%	16.4%
Apparel	250	(1)	28.7%	—
Other (b)	(160)	(122)	(13.7%)	(16.8%)
Total	$1,110	$1,176	11.0%	11.0%

(a) Amounts presented are restated to conform with the corporate cost allocation methodology adopted at the beginning of 2008. For additional information, see Note 21 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.
(b) Includes Corporate, Mast and Henri Bendel.

For 2007, operating income decreased $66 million to $1.110 billion and the operating income rate remained flat at 11.0%. The drivers of the operating income results are discussed in the following sections.

Net Sales

The following table provides net sales for 2007 in comparison to 2006:

	2007	2006	% Change
	(in millions)		
Victoria's Secret Stores	$ 3,720	$ 3,700	1%
La Senza (a)	488	23	NM
Victoria's Secret Direct	1,399	1,416	(1%)
Total Victoria's Secret	5,607	5,139	9%
Bath & Body Works	2,494	2,556	(2%)
Express (b)	659	1,749	(62%)
Limited Stores (b)	211	493	(57%)
Total Apparel (b)	870	2,242	(61%)
Other (c)	1,163	734	58%
Total Net Sales	$10,134	$10,671	(5%)

(a) 2006 includes the results of La Senza from the date of acquisition, January 12, 2007.
(b) Includes the results of Express and Limited Stores prior to their divestitures in July 2007 and August 2007, respectively.
(c) Other includes Corporate, Mast, Beauty Avenues and Henri Bendel.
NM Not meaningful

The following tables provide a reconciliation of net sales for 2006 to 2007:

	Victoria's Secret	Bath & Body Works	Apparel	Other	Total
			(in millions)		
2006 Net Sales	$5,139	$2,556	$ 2,242	$ 734	$10,671
Comparable Store sales	(71)	(90)	39	—	(122)
Sales Associated With New, Closed, Divested and Non-comparable Remodeled Stores, Net	45	6	(1,411)	—	(1,360)
La Senza	465	—	—	—	465
Direct Channels	(19)	22	—	—	3
Initial Gift Card Breakage	48	—	—	—	48
Mast Third-party Sales and Other	—	—	—	429	429
2007 Net Sales	$5,607	$2,494	$ 870	$1,163	$10,134

The following table compares 2007 comparable store sales to 2006:

	2007	2006
Victoria's Secret	(2%)	11%
Bath & Body Works	(4%)	10%
Express (a)	6%	(1%)
Limited Stores (a)	4%	(4%)
Total Apparel (a)	5%	(2%)
Henri Bendel	2%	1%
Total Comparable Store Sales	(2%)	7%

(a) Reflects comparable store sales prior to the divestitures of Express and Limited Stores in July 2007 and August 2007, respectively.

For 2007, our net sales decreased 5% to $10.134 billion and comparable store sales decreased 2%. The decrease in our net sales was primarily driven by the following:

Victoria's Secret

For 2007, net sales increased 9% to $5.607 billion and comparable store sales decreased 2%. The increase in net sales was primarily driven by the inclusion of La Senza net sales for the full year in 2007. The decrease in comparable store sales was primarily driven by decreases across most categories, including core lingerie and beauty offset by modest increases in the Pink sub-brand and sleepwear. The decreases resulted from product assortment misses and a merchandise assortment that did not overcome the challenging economic environment in 2007.

Bath & Body Works

For 2007, net sales decreased 2% to $2.494 billion and comparable store sales decreased 4%. The decrease in net sales and comparable store sales was primarily driven by declines in store traffic experienced throughout the year and, in particular, during the fourth quarter which resulted in disappointing holiday and semi-annual sale performance.

Apparel

For 2007, net sales decreased 61% to $870 million as a result of the divestitures of Express and Limited Stores in the second quarter of 2007. Prior to the divestitures, comparable store sales increased 5%.

Other

For 2007, net sales increased by 58% to $1.163 billion primarily driven by an increase in third-party customer sales at Mast due to the divestitures of Express and Limited Stores during the second quarter of 2007. Subsequent to the divestitures, 75% of Mast sales to Express and Limited Stores are included in third-party customer sales while the remaining 25% are eliminated consistent with our ownership interest.

Gross Profit

For 2007, our gross profit decreased 13% to $3.509 billion and our gross profit rate (expressed as a percentage of net sales) decreased to 34.6% from 37.6% primarily driven by the following:

Victoria's Secret

For 2007, gross profit decreased primarily driven by the following:

- A decrease in gross profit at Victoria's Secret Stores driven primarily by increases in buying and occupancy expenses related to real estate expansion activities; and
- A decrease in gross profit at Victoria's Secret Direct driven primarily by the operational limitations affecting the new distribution center;

Partially offset by:

- Inclusion of La Senza's gross profit for the full year in 2007.

The gross profit rate decreased driven primarily by deleverage of buying and occupancy expenses and a decline in the merchandise margin rate associated with promotional activities and markdowns on certain categories in response to soft sales trends.

Bath & Body Works

For 2007, gross profit decreased primarily driven by the decline in net sales. The gross profit rate decreased driven by a decline in the merchandise margin rate due to increased promotional activities designed to drive traffic.

Apparel

For 2007, gross profit decreased as a result of the divestitures of Express and Limited Stores in the second quarter of 2007.

General, Administrative and Store Operating Expenses

For 2007, our general, administrative and store operating expenses decreased 8% to $2.616 billion primarily driven by the Apparel divestiture, cost reductions realized in the second half of the year associated with our second quarter restructuring program and gains from the sale of corporate aircraft. These decreases were partially offset by the charges recognized primarily in the second quarter of 2007 related to the restructuring program, increased costs at Victoria's Secret Direct related to the new distribution center and the inclusion of La Senza's general, administrative and store operating expenses for the full year in 2007. The general, administrative and store operating expense rate decreased to 25.8% from 26.6% primarily driven by the net impact of the Apparel divestiture, including the recognition of Mast net sales to Express and Limited Stores.

Other Income and Expenses

Interest Expense

The following table provides the average daily borrowings and average borrowing rates for 2007 and 2006:

	2007	2006
Average daily borrowings (in millions)	$2,408	$1,711
Average borrowing rate (in percentages)	6.2%	5.9%

For 2007, interest expense increased $47 million to $149 million. The increase was primarily driven by an increase in average borrowings and average borrowing rates resulting from the issuance of $1.0 billion of notes and borrowing an additional $250 million under our amended term loan during the second quarter of 2007.

Interest Income

For 2007, interest income decreased $7 million to $18 million. The decrease was primarily driven by a decrease in average invested cash balances.

Other Income (Loss)

For 2007, other income (loss) increased $131 million to $128 million. The increase was primarily driven by a $100 million gain related to a distribution from Easton Town Center, LLC ("ETC"), in which we have an equity investment, and income from our equity investment in Express. In July 2007, ETC refinanced its existing bank loan and distributed cash proceeds of $150 million to its members. As an ETC member, we received approximately $102 million of proceeds resulting in a $100 million gain after reducing our ETC carrying value from $2 million to zero. In addition, we had a net gain of $17 million from the settlement of interest rate lock agreements.

Minority Interest

For 2007, minority interest increased $21 million to $22 million. Minority interest represents the proportional share of net income or losses of consolidated, less than wholly owned subsidiaries attributable to the minority interest investor. The increase relates to losses from a personal care joint venture acquired during the first quarter of 2007 and losses from an investment in an independent technology company focused on large multi-channel retailers.

Provision for Income Taxes

For 2007, our effective tax rate decreased to 36.4% from 38.5%. The decline in the rate is primarily due to the reversal of state net operating loss carryforward valuation allowances in conjunction with the Apparel divestitures in the second quarter of 2007, a decline in the Canadian federal tax rate, audit settlements and other items.

Results of Operations—Fourth Quarter of 2007 Compared to Fourth Quarter of 2006

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 2007 in comparison to the fourth quarter of 2006:

	Fourth Quarter		Operating Income Rate	
	2007(a)	2006(a)	2007	2006
	(in millions)			
Victoria's Secret	$358	$380	18.9%	20.4%
Bath & Body Works	296	324	27.3%	27.6%
Apparel	NA	33	NA	4.5%
Other (b)	(33)	(11)	(10.5%)	(4.7%)
Total	$621	$726	19.0%	18.1%

(a) Amounts presented are restated to conform with the corporate cost allocation methodology adopted at the beginning of 2008. For additional information, see Note 21 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.
(b) Includes Corporate, Mast and Henri Bendel.

For the fourth quarter of 2007, operating income decreased $105 million to $621 million and the operating income rate increased to 19.0% from 18.1%. 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 2007 in comparison to the fourth quarter of 2006:

Fourth Quarter	2007	2006	% Change
	(in millions)		
Victoria's Secret Stores	$1,294	$1,349	(4%)
La Senza (a)	166	23	NM
Victoria's Secret Direct	433	492	(12%)
Total Victoria's Secret	1,893	1,864	2%
Bath & Body Works	1,080	1,175	(8%)
Express (b)	—	589	NM
Limited Stores (b)	—	155	NM
Total Apparel (b)	—	744	NM
Other (c)	303	242	25%
Total Net Sales	$3,276	$4,025	(19%)

(a) 2006 includes the results of La Senza from the date of acquisition, January 12, 2007.
(b) Express and Limited Stores were divested in July 2007 and August 2007, respectively.
(c) Other includes Corporate, Mast, Beauty Avenues and Henri Bendel.
NM Not meaningful

The following table provides a reconciliation of net sales for the fourth quarter of 2006 to the fourth quarter of 2007:

Fourth Quarter	Victoria's Secret	Bath & Body Works	Apparel	Other	Total
		(in millions)			
2006 Net Sales	$1,864	$1,175	$ 744	$242	$4,025
Comparable Store Sales	(92)	(81)	—	—	(173)
Sales Associated With New, Closed, Divested and Non-comparable Remodeled Stores, Net	(9)	(19)	(744)	—	(772)
La Senza	143	—	—	—	143
Direct Channels	(61)	5	—	—	(56)
Initial Gift Card Breakage	48	—	—	—	48
Mast Third-party Sales and Other	—	—	—	61	61
2007 Net Sales	$1,893	$1,080	$ —	$303	$3,276

The following table compares fourth quarter of 2007 comparable store sales to fourth quarter of 2006:

Fourth Quarter	2007	2006
Victoria's Secret	(8%)	10%
Bath & Body Works	(8%)	9%
Express (a)	—	3%
Limited Stores (a)	—	(4%)
Total Apparel (a)	—	1%
Henri Bendel	6%	7%
Total Comparable Store Sales	(8%)	8%

(a) Express and Limited Stores were divested in July 2007 and August 2007, respectively.

For the fourth quarter of 2007, our net sales decreased 19% to $3.276 billion and comparable store sales decreased 8%. The decrease in our net sales was primarily driven by the following:

Victoria's Secret

For the fourth quarter of 2007, net sales increased 2% to $1.893 billion and comparable store sales decreased 8%. The increase in net sales was primarily driven by:

- Inclusion of La Senza's net sales for the full quarter in 2007; and
- Initial recognition of gift card breakage at Victoria's Secret of $48 million;

Offset partially by:

- A decrease at Victoria's Secret Direct as a result of the actions we undertook to constrain customer orders due to the operational issues associated with the new distribution center; and
- A decrease at Victoria's Secret Stores primarily related to the 53rd week included in 2006 results and a merchandise assortment that did not overcome the challenging economic environment in 2007.

The decrease in comparable store sales was primarily driven by decreases across most categories, including core lingerie and beauty, offset by modest increases in the Pink sub-brand and sleepwear. The decreases resulted from product assortment misses and a merchandise assortment that did not overcome the challenging economic environment during the fourth quarter of 2007.

Bath & Body Works

For the fourth quarter of 2007, net sales decreased 8% to $1.080 billion and comparable store sales decreased 8%. The decrease in net sales was primarily driven by:

- Softness in mall traffic and the overall economic environment;
- A lack of newness in product assortment; and
- Prolonged holiday discounting that negatively affected the performance of the semi-annual sale.

Other

For the fourth quarter of 2007, net sales increased 25% to $303 million primarily driven by an increase in third-party customer sales at Mast due to the divestitures of Express and Limited Stores during the second quarter of 2007. Subsequent to the divestitures, 75% of Mast sales to Express and Limited Stores are included in third-party customer sales while the remaining 25% are eliminated in consolidation consistent with our ownership interest.

Gross Profit

For the fourth quarter of 2007, our gross profit decreased 20% to $1.296 billion and our gross profit rate (expressed as a percentage of net sales) decreased to 39.6% from 40.1% primarily driven by the following:

Victoria's Secret

For the fourth quarter of 2007, gross profit decreased primarily driven by:

- A decrease in merchandise margin at Victoria's Secret Direct due to the actions we undertook to constrain customer orders; and
- A decrease in merchandise margin associated with decreased net sales at Victoria's Secret Stores and increased buying and occupancy expenses associated with the real estate expansion activities;

Offset partially by:

- Initial recognition of gift card breakage of $48 million; and
- Inclusion of La Senza's gross profit for the full quarter in 2007.

The gross profit rate decreased driven primarily by deleverage of buying and occupancy expenses due to the Victoria's Secret Stores real estate expansion activities and inclusion of La Senza's results for the full quarter in 2007.

Bath & Body Works

For the fourth quarter of 2007, gross profit decreased primarily driven by lower net sales. The gross profit rate decreased driven by a modest decline in the merchandise margin rate related to promotional activity to clear seasonal merchandise and deleverage in the buying and occupancy expense rate associated with the decline in net sales.

General, Administrative and Store Operating Expenses

For the fourth quarter of 2007, our general, administrative and store operating expenses decreased 24% to $675 million primarily driven by the Apparel divestitures. The general, administrative and store operating expense rate decreased to 20.6% from 22.0% primarily driven by the net impact of the Apparel divestitures, including the recognition of Mast net sales to Express and Limited Stores. The rate also benefited from the initial recognition of gift card breakage at Victoria's Secret and lower incentive compensation and marketing expense.

Other Income and Expense

Interest Expense

The following table provides the average daily borrowings and average borrowing rates for the fourth quarter of 2007 and 2006:

Fourth Quarter	2007	2006
Average daily borrowings (in millions)	$2,943	$1,776
Average borrowing rate (in percentages)	6.3%	5.9%

For the fourth quarter of 2007, our interest expense increased $18 million to $46 million. The increase was primarily driven by an increase in average borrowings and average borrowing rates resulting from the issuance of $1.0 billion of notes and borrowing an additional $250 million under our amended term loan during the second quarter of 2007.

Interest Income

For the fourth quarter of 2007, our interest income increased $2 million to $6 million. The increase was primarily driven by an increase in average invested cash balances partially offset by a decrease in average effective interest rates.

Other Income (Loss)

For the fourth quarter of 2007, our other income (loss) increased $9 million to $10 million. The increase was primarily driven by income from our equity investment in Express. We divested 75% of Express in July 2007 and retained the remaining 25% as an equity method investment.

Provision for Income Taxes

For the fourth quarter of 2007, our effective tax rate decreased to 34.2% from 37.7%. The decline in the rate resulted from a decline in the Canadian federal tax rate, the finalization of income taxes related to the Apparel divestitures, audit settlements and other items.

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 working capital changes and our net income. Our net income is impacted by, among other things, sales volume, seasonal sales patterns, timing 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 summer and fall months as inventory builds in anticipation of the holiday period.

As of January 31, 2009, we had total revolving credit facilities of $1.3 billion including a $1 billion, 5-year facility that expires in August 2012 (the "5-Year Facility") and a $300 million, 364-day facility that was set to expire in July 2009 (the "364-Day Facility"). The facilities contain fixed charge coverage and leverage covenants that may limit the availability of the facilities. Both facilities support our commercial paper and letter of credit programs. We did not borrow under either of the facilities in 2008.

On February 19, 2009, we amended the 5-Year Facility and the $750 million term loan maturing in August 2012 ("Term Loan") and we canceled the 364-Day Facility after determining it was no longer required. The amendment to the 5-Year Facility and the Term Loan includes changes to both the fixed charge coverage and leverage covenants which provide 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 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 interest rate as of January 31, 2009 on the Term Loan would have been 6.69% had the amendment been effective at that date. The amendment does not impact the maturity dates of either the 5-Year Facility or the Term Loan.

The U.S. retail sector and our business have faced a very difficult environment during most of 2008 and into 2009. However, we believe that 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 31, 2009, February 2, 2008 and February 3, 2007:

	January 31, 2009	February 2, 2008	February 3, 2007
		(in millions)	
Cash Provided by Operating Activities	$ 954	$ 765	$ 600
Capital Expenditures	479	749	548
Working Capital	1,612	1,545	1,062
Capitalization:			
Long-term Debt	2,897	2,905	1,665
Shareholders' Equity	1,874	2,219	2,955
Total Capitalization	4,771	5,124	4,620
Additional Amounts Available Under Credit Agreements (a)	1,300	1,500	1,000

(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.

The following table provides certain measures of liquidity and capital resources as of January 31, 2009, February 2, 2008 and February 3, 2007:

	January 31, 2009	February 2, 2008	February 3, 2007
Debt-to-equity Ratio (a)	155%	131%	56%
Debt-to-capitalization Ratio (b)	61%	57%	36%
Cash Flow to Capital Investment (c)	199%	102%	109%

(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 31, 2009:

	Moody's(a)	S&P(b)	Fitch
Corporate	Ba1	BB+	BB+
Senior Unsecured Debt	Ba1	BB+	BB+
Outlook	Stable	Stable	Negative

(a) In November 2008, Moody's Investors Service ("Moody's") downgraded our Corporate and Senior Unsecured Debt ratings from an investment grade rating of Baa3 to a speculative grade rating of Ba1. In addition, Moody's changed their rating outlook to stable from negative.
(b) In December 2008, Standard and Poor's ("S&P") downgraded our Corporate and Senior Unsecured Debt ratings from an investment grade rating of BBB- to a speculative grade rating of BB+. In addition, S&P changed their rating outlook to stable from negative.

Our borrowing costs and certain other provisions under our Term Loan and revolving credit facilities are linked to our credit ratings. As a result of the Moody's and S&P downgrades, our borrowing costs under our term loan and revolving credit facilities increased in the fourth quarter of 2008. The impact of this increase was not material to our earnings and cash flows in the fourth quarter of 2008. The Moody's or S&P downgrades did not accelerate the repayment of any of our debt.

The following table provides an update of our credit ratings as of March 20, 2009:

	Moody's(a)	S&P(b)	Fitch(c)
Corporate	Ba1	BB	BB+
Senior Unsecured Debt	Ba2	BB	BB
Outlook	Negative	Negative	Negative

(a) In February 2009, Moody's downgraded our Senior Unsecured Debt ratings from a rating of Ba1 to Ba2. In addition, Moody's changed their rating outlook to negative from stable.
(b) In February 2009, S&P downgraded our Corporate and Senior Unsecured Debt ratings from a rating of BB+ to BB. In addition, S&P changed their rating outlook to negative from stable.
(c) In February 2009, Fitch downgraded our Senior Unsecured Debt from a rating of BB+ to BB.

The downgrades by the rating agencies in February 2009 will further increase our borrowing costs in 2009.

If we receive an additional downgrade in our credit ratings by any agencies listed above, the availability of additional credit could be negatively affected. 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. During November 2008, we repurchased 5.0 million shares of our common stock for $43 million at an average price per share of approximately $8.64. Through March 20, 2009, no additional shares were repurchased.

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 business conditions existing at the time.

Cash Flow

The following table provides a summary of our cash flow activity for the fiscal years ended January 31, 2009, February 2, 2008 and February 3, 2007:

	2008	2007	2006
		(in millions)	
Cash and Cash Equivalents, Beginning of Year	$1,018	$ 500	$ 1,208
Net Cash Flows Provided by Operating Activities	954	765	600
Net Cash Flows (Used For) Provided by Investing Activities	(240)	30	(1,093)
Net Cash Flows Used For Financing Activities	(562)	(279)	(215)
Effect of Exchange Rate Changes on Cash	3	2	—
Net Increase (Decrease) in Cash and Cash Equivalents	155	518	(708)
Cash and Cash Equivalents, End of Year	$1,173	$1,018	$ 500

Operating Activities

Net cash provided by operating activities in 2008 was $954 million. Net income of $220 million included (a) $343 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 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 $718 million. Net income included (a) $352 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 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.

Net cash provided by operating activities in 2006 was $600 million consisting primarily of net income of $676 million. Net income included $316 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 $545 million decrease in operating cash flow associated with inventories. We increased inventory levels during the year to meet the following objectives: (a) at Victoria's Secret, increases related to new product launches in core lingerie and beauty, initiatives to increase market share and build brand loyalty and an initiative to improve in-stock inventory positions and (b) at Bath & Body Works, increases related primarily to investments in safety stocks of seasonless basics in anticipation of the supply chain system conversion that occurred mid-year as well as an initiative to improve in-stock inventory positions.

Investing Activities

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.

Net cash used for investing activities in 2006 was $1.093 billion consisting primarily of $572 million related to the acquisition of La Senza and $548 million of capital expenditures. The capital expenditures included $311 million for opening new stores and remodeling and improving existing stores. Remaining capital expenditures were primarily related to investments in new growth concepts and increased spending on technology and infrastructure to support growth.

We anticipate spending approximately $200 million for capital expenditures in 2009 with the majority relating to opening new stores and remodeling and improving existing stores. We expect to open approximately 50 new stores in the U.S. and Canada and to close approximately 70 stores. Our new stores will be primarily Bath & Body Works and Victoria's Secret.

Financing Activities

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.

Net cash used for financing activities in 2006 was $215 million consisting primarily of (a) cash payments of $193 million related to the repurchase of 8 million shares of common stock during the year at a weighted-average price of $24.98 under our November 2005, February 2006 and June 2006 share repurchase programs and (b) quarterly dividend payments of $0.15 per share, or $238 million. These uses of cash were partially offset by proceeds from the exercise of stock options of $153 million and excess tax benefits on share-based compensation of $46 million.

Contingent Liabilities and Contractual Obligations

The following table provides our contractual obligations, aggregated by type, including the maturity profile as of January 31, 2009:

	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)	$ 4,905	$ 174	$ 348	$1,328	$3,055	$ —
Operating Leases Obligations (b)	3,400	478	872	716	1,334	—
Purchase Obligations (c)	1,371	1,194	65	112	—	—
Other Liabilities (d)	369	26	24	3	—	316
Total	$10,045	$1,872	$1,309	$2,159	$4,389	$316

(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 31, 2009 for the Term Loan. Interest obligations exclude amounts which have been accrued through January 31, 2009. For additional information, see the Notes 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 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 as accounted for under Financial Accounting Standards Board Interpretation 48, *Accounting for Uncertainty in Income Taxes*. The "Less Than 1 Year" category includes $14 million because it is reasonably possible that the payments could change in the next twelve months due to audit settlements of resolution or uncertainties. The remaining portion 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 $194 million related to lease payments of Express, Limited Stores, Abercrombie & Fitch, Tween Brands (formerly Limited Too and Too, Inc.), 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 2019. 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)	
2009	$ 48
2010	39
2011	30
2012	24
2013	22
Thereafter	31
Total	$194

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 September 30, 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 $19 million as of January 31, 2009.

Our guarantees related to Express, Limited Stores and New York & Company are subject to the provisions of SFAS 145, *Rescission, Amendment and Technical Correction of Certain Accounting Standards,* which requires fair value accounting for these guarantee obligations. The guaranteed lease payments related to Express (net of the irrevocable standby letter of credit), Limited Stores and New York & Company totaled $94 million and $180 million as of January 31, 2009 and February 2, 2008, respectively. The estimated fair value of these guarantee obligations was $15 million and $10 million as of January 31, 2009 and February 2, 2008, respectively, and is included in Other Long-term Liabilities on our Consolidated Balance Sheets. The increase in the fair value from February 2, 2008 to January 31, 2009 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, Tween Brands (formerly Limited Too and Too, Inc.), Dick's Sporting Goods (formerly Galyan's), Lane Bryant and Anne.x are not subject to the fair value provisions of SFAS 145 because they were executed prior to the effective date of SFAS 145. These guarantees are subject to the provisions of SFAS 5, *Accounting for Contingencies*, which requires that a loss be accrued when probable and reasonably estimable. As of January 31, 2009 and February 2, 2008, we had no liability recorded with respect to any of the guarantee obligations subject to SFAS 5 as we concluded that performance 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

SFAS 161, Disclosures about Derivative Instruments and Hedging Activities ("SFAS 161")

In March 2008, the Financial Accounting Standards Board ("FASB") issued SFAS 161, 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. SFAS 161 amends and expands SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*, and is effective prospectively beginning in 2009. Adoption of SFAS 161 will impact our disclosures about derivative instruments and hedging activities beginning in 2009.

SFAS 141, (revised 2007) Business Combinations ("SFAS 141(R)")

In December 2007, the FASB issued SFAS 141(R), which establishes how the acquiring entity recognizes and measures the assets acquired, liabilities assumed, any gain on bargain purchases and any noncontrolling interest in the acquired entity. SFAS 141(R) requires acquisition-related costs to be expensed in the periods they are incurred, with the exception of the costs to issue debt or equity securities. SFAS 141(R) requires disclosure of information for a business combination that occurs during the accounting period or prior to the issuance of the financial statements for the accounting period. SFAS 141(R) is effective prospectively for business combinations with an acquisition date on or after the beginning of the first annual reporting period after December 15, 2008. Adoption of SFAS 141(R) is not expected to have an impact to our financial statements.

SFAS 160, Noncontrolling Interests in Consolidated Financial Statements ("SFAS 160")

In December 2007, the FASB issued SFAS 160, which modifies reporting for noncontrolling interest (minority interest) in consolidated financial statements. SFAS 160 requires noncontrolling interest be reported in equity and establishes a new framework for recognizing net income or loss and comprehensive income by the controlling interest. SFAS 160 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. SFAS 160 is effective for interim and annual periods in fiscal years beginning after December 15, 2008. The statement is applied prospectively upon adoption. Upon adoption, prior period financial statements will be restated for the presentation of the noncontrolling interest for comparability. Adoption of SFAS 160 will impact the presentation of noncontrolling interests in our financial statements beginning in 2009.

SFAS 159, The Fair Value Option for Financial Assets and Financial Liabilities ("SFAS 159")

In February 2007, the FASB issued SFAS 159 permitting entities to choose to measure many financial instruments and certain other items at fair value. The standard also establishes presentation and disclosure requirements designed to facilitate comparison between entities that choose different measurement attributes for similar types of assets and liabilities. If the fair value option is elected, the effect of the first remeasurement to fair value is reported as a cumulative effect adjustment to the opening balance of retained earnings. The statement is applied prospectively upon adoption. We did not adopt fair value treatment for any assets or liabilities under SFAS 159 as of the beginning of 2008.

SFAS 157, Fair Value Measurements ("SFAS 157")

In September 2006, the FASB issued SFAS 157, which provides guidance for fair value measurement of assets and liabilities and instruments measured at fair value. The statement 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. The standard requires fair value measurements be disclosed by hierarchy level, an entity include its own credit standing in the measurement of its liabilities and modifies the transaction price presumption.

In February 2008, the FASB issued FSP FAS 157-2, *Effective Date of FASB Statement 157* which delays the effective date of SFAS 157 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). The provision of SFAS 157 is applied prospectively. We adopted the required portions of SFAS 157 at the beginning of 2008 which did not have a material impact to our financial statements. Adoption of the portions of SFAS 157 within the scope of FSP FAS 157-2 will not have a material impact on our financial statements beginning in 2009.

Future Accounting Changes

The FASB's standard-setting process is ongoing and until new standards have been finalized and issued by FASB, we cannot determine the impact on the reporting of our operations and financial position that may result from any such future changes. The FASB is currently working on several projects including, but not limited to, revenue recognition, liabilities and equity, derivatives disclosures, earnings per share calculations and leases. We are also monitoring the potential adoption of International Financial Reporting Standards in the U.S. The ultimate pronouncements resulting from these and future projects could have an impact on our future results of operations and financial position.

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 its estimates and judgments on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Management has discussed the development and selection of its critical accounting policies and estimates with the Audit Committee of its Board of Directors and believes the following assumptions and estimates are most significant to reporting its results of operations and financial position.

Inventories

Inventories are principally valued at the lower of 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 does not believe that the assumptions used in these estimates will change significantly based on prior experience. A 10% increase or decrease in the inventory valuation adjustment would have impacted net income by approximately $6 million for 2008. A 10% increase or decrease in the estimated physical inventory loss adjustment would have impacted net income by approximately $2 million for 2008.

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 fair value, usually determined by the estimated discounted future cash flows of the asset. Factors used in the valuation include, but are not limited to, management's plans for future operations, brand initiatives, recent operating results and projected future cash flows. 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 using a discounted cash flow methodology.

Factors used in the valuation of goodwill and intangible assets include, but are not limited to, management's plans for future operations, brand initiatives, recent operating results and projected future cash flows. If future economic conditions are different than those projected by management, future impairment charges may be required.

Impairment of La Senza Goodwill and Indefinite Lived Intangible Assets

In conjunction with the January 2007 acquisition of La Senza, we recorded $313 million in goodwill and $170 million in trade name intangible assets. These assets are included in the La Senza reporting unit which is part of the Victoria's Secret segment. In the fourth quarter of 2008, we completed our annual impairment testing under SFAS 142, *Goodwill and Other Intangible Assets* ("SFAS 142"). We concluded that goodwill and certain trade name assets related to the La Senza acquisition were impaired. We 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.

The estimated fair values of our other reporting units exceeded their respective carrying values as of the fourth quarter of 2008. Accordingly, no goodwill impairment charges were recorded for these reporting units. Reasonable changes in the significant estimates and assumptions used to determine these fair values would not have resulted in goodwill impairments in any of these reporting units. If economic conditions in 2009 and beyond continue to deteriorate, future impairment charges may be required.

Impairment Indicators

The primary impairment indicator associated with the impairment charge was the deterioration in La Senza's operating results during the latter half of 2008, particularly when compared to our expectations at the time of the acquisition. La Senza's operating results were negatively impacted by the global economic downturn and the resulting impact on the Canadian retail environment.

Impairment Testing

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. Based on our evaluation, the carrying value of the La Senza reporting unit exceeded the estimated fair value. As a result, we measured the goodwill impairment in accordance with the provisions of SFAS 142 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.

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

Significant Estimates and Assumptions

The discounted cash flow models used to estimate the applicable fair values involve numerous estimates and assumptions that are highly subjective. Changes to these estimates and assumptions could materially impact the fair value estimates. 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. 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 economic conditions in 2009 and beyond continue to deteriorate, future impairment charges may be required.

Sensitivity Analysis

Our determination of the estimated fair value of the La Senza reporting unit and trade name assets requires significant judgment about economic factors, industry factors, as well as our views regarding the future prospects of the La Senza reporting unit. Changes in these judgments may have a significant effect on the estimated fair value of La Senza's goodwill and trade name assets. The following provides sensitivities related to the significant estimates and assumptions as noted above:

- a 10% decrease in estimated future cash flows would result in a $33 million increase in the impairment charges.
- a 1% increase in the discount rate would result in a $13 million increase in the impairment charges.
- a 10% decrease in the terminal value assumption would result in a $25 million increase in the 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.

Effective February 4, 2007, we adopted FASB Interpretation 48 ("FIN 48") and FASB Staff Position ("FSP") FIN 48-1, *Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement 109*. FIN 48 contains a two-step approach to recognizing and measuring uncertain tax positions accounted for in accordance with SFAS 109, *Accounting for Income Taxes*. 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. We accumulated sufficient historical data to determine the gift card breakage rate at Bath & Body Works and Express 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 our Consolidated Statements of Income.

During the fourth quarter of 2005, we recognized $30 million in pre-tax income related to the initial recognition of gift card breakage at Express and Bath & Body Works. During the fourth quarter of 2007, we recognized $48 million in pre-tax income related to the initial recognition of gift card breakage at Victoria's Secret.

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.

Our foreign exchange rate 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 associated with fluctuations in the U.S. dollar-Canadian dollar exchange rate.

In addition, La Senza's Canadian dollar denominated earnings are subject to U.S. dollar-Canadian dollar exchange rate risk as substantially all of La Senza's merchandise is sourced through U.S. dollar transactions.

We are exposed to interest rate risk in relation to our investments and our debt. 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 primarily of U.S. government-backed securities. Given the short-term nature and quality of investments in our portfolio, we do not believe there is any material risk associated with increases or decreases in interest rates.

All of our long-term debt as of January 31, 2009 has fixed interest rates with the exception of our $750 million term loan due August 2012. 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. Our $750 million term loan due August 2012 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 limits our exposure to increases in the benchmark interest rate while allowing us to partially participate in any decreases in the benchmark interest rate.

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.

Fair Value of Financial Instruments

As of January 31, 2009, 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 31, 2009 and February 2, 2008:

	January 31, 2009	February 2, 2008
	(in millions)	
Long-term Debt:		
Carrying Value	$2,897	$ 2,912(a)
Fair Value, Estimated (b)	2,113	2,789
Aggregate Fair Value of Cross-currency Swap Arrangements (c)	(26)	54
Fair Value of Participating Interest Rate Swap Arrangement (c)	30	13

(a) Includes current portion of long-term debt of $7 million.
(b) The estimated fair value of our publicly traded debt is based on quoted market prices. The estimated fair value of our $750 million term loan is equal to its carrying value. On February 19, 2009, the terms of the Term Loan were amended. The estimates presented are not necessarily indicative of the amounts that we could realize in a current market exchange.
(c) Swap arrangements are in an (asset) liability position.

The decrease in estimated fair value of our long-term debt from February 2, 2008 to January 31, 2009 reflects the substantial increase in volatility in the credit markets and the associated higher yields on our publicly traded debt. The change in fair value of the cross currency-swap arrangements from February 2, 2008 to January 31, 2009 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 February 2, 2008 to January 31, 2009 is primarily due to the decline in the underlying benchmark interest rate.

Concentration of Credit Risk

We maintain cash and cash equivalents with various major financial institutions, as well as corporate commercial paper from time to time. Currently, our investment portfolio is comprised primarily of U.S. government-backed securities.

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

We caution 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 important 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 including our new distribution center;
- our failure to protect our reputation and our brand images;
- our failure to protect our trade names and trademarks;
- market disruptions including severe weather conditions, natural disasters, health hazards, terrorist activities 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; and
  - the disruption of imports by labor disputes;
- 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; and
- legal 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

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 2008 and 2007 represent the 52 week period ending January 31, 2009 and February 2, 2008, respectively, and 2006 refers to the 53 week period ended February 3, 2007.

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 31, 2009. 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 31, 2009.

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 31, 2009.

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 31, 2009, 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 31, 2009, 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 31, 2009 and February 2, 2008, and the related Consolidated Statements of Income, Shareholders' Equity, and Cash Flows for each of the three years in the period ended January 31, 2009 of Limited Brands, Inc. and subsidiaries, and our report dated March 27, 2009 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Columbus, Ohio
March 27, 2009

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 31, 2009 and February 2, 2008, and the related Consolidated Statements of Income, Shareholders' Equity, and Cash Flows for each of the three years in the period ended January 31, 2009. 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 31, 2009 and February 2, 2008, and the consolidated results of their operations and their cash flows for each of the three years in the period ended January 31, 2009, 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 Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109", and in 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (R), "Share-Based Payment."

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 31, 2009, 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 27, 2009 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Columbus, Ohio
March 27, 2009

LIMITED BRANDS, INC.

CONSOLIDATED STATEMENTS OF INCOME

(in millions except per share amounts)

	2008	2007	2006
Net Sales	$ 9,043	$10,134	$10,671
Costs of Goods Sold, Buying and Occupancy	(6,037)	(6,625)	(6,658)
Gross Profit	3,006	3,509	4,013
General, Administrative and Store Operating Expenses	(2,311)	(2,616)	(2,837)
Impairment of Goodwill and Other Intangible Assets	(215)	(13)	—
Gain on Divestiture of Express	—	302	—
Loss on Divestiture of Limited Stores	—	(72)	—
Net Gain on Joint Ventures	109	—	—
Operating Income	589	1,110	1,176
Interest Expense	(181)	(149)	(102)
Interest Income	18	18	25
Other Income (Loss)	23	128	(3)
Minority Interest	4	22	1
Income Before Income Taxes and Cumulative Effect of Change in Accounting Principle	453	1,129	1,097
Provision for Income Taxes	233	411	422
Income Before Cumulative Effect of Change in Accounting Principle	220	718	675
Cumulative Effect of Change in Accounting Principle, Net of Taxes of $0.4 in 2006	—	—	1
Net Income	$ 220	$ 718	$ 676
Net Income Per Basic Share			
Income Before Cumulative Effect of Change in Accounting Principle	$ 0.66	$ 1.91	$ 1.71
Cumulative Effect of Change in Accounting Principle	—	—	—
Net Income Per Basic Share	$ 0.66	$ 1.91	$ 1.71
Net Income Per Diluted Share			
Income Before Cumulative Effect of Change in Accounting Principle	$ 0.65	$ 1.89	$ 1.68
Cumulative Effect of Change in Accounting Principle	—	—	—
Net Income Per Diluted Share	$ 0.65	$ 1.89	$ 1.68

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 31, 2009	February 2, 2008
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 1,173	$ 1,018
Accounts Receivable, Net	236	355
Inventories	1,182	1,251
Other	276	295
Total Current Assets	2,867	2,919
Property and Equipment, Net	1,929	1,862
Goodwill	1,426	1,733
Trade Names and Other Intangible Assets, Net	580	677
Other Assets	170	246
Total Assets	$ 6,972	$ 7,437
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	$ 494	$ 517
Accrued Expenses and Other	669	721
Income Taxes	92	136
Total Current Liabilities	1,255	1,374
Deferred Income Taxes	213	175
Long-term Debt	2,897	2,905
Other Long-term Liabilities	732	709
Minority Interest	1	55
Shareholders' Equity:		
Preferred Stock—$1.00 par value; 10 shares authorized; none issued	—	—
Common Stock—$0.50 par value; 1,000 shares authorized; 524 shares issued in 2008 and 2007; 321 and 346 shares outstanding in 2008 and 2007	262	262
Paid-in Capital	1,544	1,550
Accumulated Other Comprehensive (Loss) Income	(28)	31
Retained Earnings	4,777	4,758
Less: Treasury Stock, at Average Cost; 203 shares in 2008 and 178 shares in 2007	(4,681)	(4,382)
Total Shareholders' Equity	1,874	2,219
Total Liabilities and Shareholders' Equity	$ 6,972	$ 7,437

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

LIMITED BRANDS, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in millions except per share amounts)

	Common Stock		Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock, at Average Cost	Total Shareholders' Equity
	Shares Outstanding	Par Value					
Balance, January 28, 2006	395	$262	$1,597	$ (6)	$3,839	$(3,221)	$ 2,471
Comprehensive Income (Loss):							
Net Income	—	—	—	—	676	—	676
Foreign Currency Translation	—	—	—	(7)	—	—	(7)
Unrealized Loss on Cross Currency Interest Rate Cash Flow Hedge	—	—	—	(3)	—	—	(3)
Reclassification of Cash Flow Hedges to Earnings	—	—	—	(3)	—	—	(3)
Realized Loss on Cash Flow Hedge	—	—	—	2	—	—	2
Total Comprehensive Income (Loss)	—	—	—	(11)	676	—	665
Cash Dividends ($0.60 per share)	—	—	—	—	(238)	—	(238)
Repurchase of Common Stock	(7)	—	—	—	—	(183)	(183)
Exercise of Stock Options and Other	10	—	(32)	—	—	272	240
Balance, February 3, 2007	398	$262	$1,565	$(17)	$4,277	$(3,132)	$ 2,955
Adoption of Financial Accounting Standards Board Interpretation 48, *Accounting for Uncertainty in Income Taxes*	—	—	—	—	(10)	—	(10)
Comprehensive Income (Loss):							
Net Income	—	—	—	—	718	—	718
Foreign Currency Translation	—	—	—	37	—	—	37
Unrealized Loss on Cross Currency Interest Rate Cash Flow Hedge	—	—	—	(51)	—	—	(51)
Reclassification of Cash Flow Hedges to Earnings	—	—	—	75	—	—	75
Unrealized Loss on Interest Rate Cash Flow Hedge	—	—	—	(13)	—	—	(13)
Total Comprehensive Income (Loss)	—	—	—	48	718	—	766
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)	$ 2,219
Comprehensive Income (Loss):							
Net Income	—	—	—	—	220	—	220
Foreign Currency Translation	—	—	—	(34)	—	—	(34)
Unrealized Gain on Cross Currency Interest Rate Cash Flow Hedge	—	—	—	81	—	—	81
Reclassification of Cash Flow Hedges to Earnings	—	—	—	(91)	—	—	(91)
Unrealized Loss on Interest Rate Cash Flow Hedge	—	—	—	(16)	—	—	(16)
Realized Loss on Cash Flow Hedge	—	—	—	1	—	—	1
Total Comprehensive Income (Loss)	—	—	—	(59)	220	—	161
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)	$ 1,874

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

LIMITED BRANDS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

	2008	2007	2006
Operating Activities			
Net Income	$ 220	$ 718	$ 676
Adjustments to Reconcile Net Income to Net Cash Provided by (Used for) Operating Activities:			
Cumulative Effect of Change in Accounting Principle	—	—	(1)
Depreciation and Amortization	343	352	316
Goodwill and Intangible Asset Impairment Charges	215	13	—
Deferred Income Taxes	46	(5)	(43)
Excess Tax Benefits From Share-based Compensation	(2)	(28)	(46)
Share-based Compensation Expense	35	44	37
Minority Interest	(4)	(22)	(1)
Net Gain on Joint Ventures	(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)	(16)
Changes in Assets and Liabilities, Net of Assets and Liabilities from Acquisitions:			
Accounts Receivable	103	(192)	18
Inventories	45	337	(545)
Accounts Payable, Accrued Expenses and Other	(39)	(152)	115
Income Taxes Payable	(39)	(31)	16
Other Assets and Liabilities	153	98	74
Net Cash Provided by Operating Activities	954	765	600
Investing Activities			
Capital Expenditures	(479)	(749)	(548)
Net Proceeds from the Divestiture of Joint Venture	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	—	97	27
Acquisition of La Senza Corporation, Net of Cash Acquired of $28	—	—	(572)
Other Investing Activities	(15)	33	—
Net Cash (Used for) Provided by Investing Activities	(240)	30	(1,093)
Financing Activities			
Proceeds from Issuance of Debt	—	997	—
Proceeds from Term Loan Refinancing	—	250	—
Repayment of Long-term Debt	(15)	(7)	(7)
Repurchase of Common Stock	(379)	(1,402)	(193)
Dividends Paid	(201)	(227)	(238)
Excess Tax Benefits from Share-based Compensation	2	28	46
Proceeds From Exercise of Stock Options and Other	31	82	177
Net Cash Used for Financing Activities	(562)	(279)	(215)
Effects of Exchange Rate Changes on Cash	3	2	—
Net Increase (Decrease) in Cash and Cash Equivalents	155	518	(708)
Cash and Cash Equivalents, Beginning of Year	1,018	500	1,208
Cash and Cash Equivalents, End of Year	$1,173	$ 1,018	$ 500

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 specialty 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 and catalogue. The Company currently operates the following retail brands:

- Victoria’s Secret
- Pink (Victoria’s Secret)
- La Senza
- Bath & Body Works
- C. O. Bigelow
- The White Barn Candle Company
- Henri Bendel

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.

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 sourcing sales to Express and Limited Stores consistent with the Company’s ownership percentage.

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 in accordance with Financial Accounting Standards Board Interpretation 46(R), *Consolidation of Variable Interest Entities* (“FIN 46(R)”).

The Company accounts for investments in unconsolidated entities where it exercises significant influence, but does not have control, using the equity method of accounting. 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 (Loss) 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.

Fiscal Year

The Company’s fiscal year ends on the Saturday nearest to January 31. As used herein, “2008” and “2007” refer to the 52-week periods ending January 31, 2009 and February 2, 2008, respectively. “2006” refers to the 53-week period ended February 3, 2007.

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 $86 million as of January 31, 2009 and $121 million as of February 2, 2008, 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 from time to time. Currently, the Company's investment portfolio is comprised primarily of U.S. government-backed securities.

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 three months from the date the catalogues are mailed.

The Company's capitalized direct response advertising costs amounted to $27 million and $33 million as of January 31, 2009 and February 2, 2008, 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 $502 million for 2008, $507 million for 2007 and $594 million for 2006.

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. Factors used in the valuation include, but are not limited to, management's plans for future operations, brand initiatives, recent operating results and projected future cash flows.

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. Factors used in the valuation include, but are not limited to, management's plans for future operations, brand initiatives, recent operating results and projected future cash flows.

Goodwill represents the excess of the purchase price over the 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 using a discounted cash flow methodology.

Factors used in the valuation of goodwill and intangible assets include, but are not limited to, management's plans for future operations, brand initiatives, recent operating results and projected future cash flows. 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 $90 million as of January 31, 2009 and $77 million as of February 2, 2008. 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 $224 million as of January 31, 2009 and $185 million as of February 2, 2008, 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 Shareholders' Equity.

Derivative Financial Instruments

The Company uses derivative financial instruments to manage exposure to foreign currency exchange rates and interest rates. The Company does not use derivative financial instruments for trading purposes. Derivative financial instruments are accounted for in accordance with SFAS 133, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS 133") as amended, which requires that all derivative instruments be recorded on the Consolidated Balance Sheets at fair value.

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.

Effective February 4, 2007, the Company adopted Financial Accounting Standards Board ("FASB") Interpretation 48 ("FIN 48") and FASB Staff Position ("FSP") FIN 48-1, *Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement 109*. FIN 48 contains a two-step approach to recognizing and measuring uncertain tax positions accounted for in accordance with SFAS 109, *Accounting for Income Taxes.* 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.

Minority Interest

Minority 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 SFAS 123 (revised 2004), *Share-Based Payment* ("SFAS 123(R)"). SFAS 123(R) 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.

The Company has 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, 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.

Reclassifications

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

2. New Accounting Pronouncements and Changes in Accounting Principle

New Accounting Pronouncements

SFAS 161, Disclosures about Derivative Instruments and Hedging Activities ("SFAS 161")

In March 2008, the FASB issued SFAS 161, 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. SFAS 161 amends and expands SFAS 133, *Accounting for Derivative Instruments and Hedging Activities,* and is effective prospectively beginning in 2009. Adoption of SFAS 161 will impact the Company's disclosures about derivative instruments and hedging activities beginning in 2009.

SFAS 141 (revised 2007), Business Combinations ("SFAS 141(R)")

In December 2007, the FASB issued SFAS 141(R), which establishes how the acquiring entity recognizes and measures the assets acquired, liabilities assumed, any gain on bargain purchases and any noncontrolling interest in the acquired entity. SFAS 141(R) requires acquisition-related costs to be expensed in the periods they are incurred, with the exception of the costs to issue debt or equity securities. SFAS 141(R) requires disclosure of information for a business combination that occurs during the accounting period or prior to the issuance of the financial statements for the accounting period. SFAS 141(R) is effective prospectively for business combinations with an acquisition date on or after the beginning of the first annual reporting period after December 15, 2008. Adoption of SFAS 141(R) is not expected to have an impact to the Company's financial statements.

SFAS 160, Noncontrolling Interests in Consolidated Financial Statements ("SFAS 160")

In December 2007, the FASB issued SFAS 160, which modifies reporting for noncontrolling interest (minority interest) in consolidated financial statements. SFAS 160 requires noncontrolling interest be reported in equity and establishes a new framework for recognizing net income or loss and comprehensive income by the controlling interest. SFAS 160 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. SFAS 160 is effective for interim and annual periods in fiscal years beginning after December 15, 2008. The statement is applied prospectively upon adoption. Upon adoption, prior period financial statements will be restated for the presentation of the noncontrolling interest for comparability. Adoption of SFAS 160 will impact the presentation of noncontrolling interests in the Company's financial statements beginning in 2009.

SFAS 159, The Fair Value Option for Financial Assets and Financial Liabilities ("SFAS 159")

In February 2007, the FASB issued SFAS 159 permitting entities to choose to measure many financial instruments and certain other items at fair value. The standard also establishes presentation and disclosure requirements designed to facilitate comparison between entities that choose different measurement attributes for similar types of assets and liabilities. If the fair value option is elected, the effect of the first remeasurement to fair value is reported as a cumulative effect adjustment to the opening balance of retained earnings. The statement is applied prospectively upon adoption. The Company did not adopt fair value treatment for any assets or liabilities under SFAS 159 as of the beginning of 2008.

SFAS 157, Fair Value Measurements ("SFAS 157")

In September 2006, the FASB issued SFAS 157, which provides guidance for fair value measurement of assets and liabilities and instruments measured at fair value that are classified in shareholders' equity. The statement 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. The standard requires fair value measurements be disclosed by hierarchy level, an entity include its own credit standing in the measurement of its liabilities and modifies the transaction price presumption.

In February 2008, the FASB issued FSP FAS 157-2, *Effective Date of FASB Statement 157*, which delays the effective date of SFAS 157 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 SFAS 157 for financial assets and liabilities only. As of January 31, 2009, the Company's financial assets and liabilities subject to SFAS 157 consisted of the cross-currency interest rate swaps and the participating interest rate swap. The fair value of these instruments is determined using valuation methodologies that employ Level 2 inputs as defined in SFAS 157. The adoption of SFAS 157 for financial assets and financial liabilities did not have a significant impact on the Company's results of operations, financial condition or liquidity. Adoption of portions of SFAS 157 within the scope of FSP FAS 157-2 is not expected to have a material impact on the Company's financial statements beginning in 2009.

Changes in Accounting Principle

Income Taxes

Effective February 4, 2007, the Company adopted FIN 48, *Accounting for Uncertainty in Income Taxes* ("FIN 48"), an interpretation of FASB Statement 109. 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 13, "Income Taxes."

Share-based Compensation

On January 29, 2006, the Company adopted SFAS 123 (revised 2004), *Share-Based Payment* ("SFAS 123(R)"), 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. Prior to the adoption of SFAS 123(R), the Company accounted for share-based awards to employees and directors using the intrinsic value method in accordance with Accounting Principles Board Opinion 25, *Accounting for Stock Issued to Employees* ("APB 25"). Under the intrinsic value method, no stock-based compensation expense was recognized in the Company's Consolidated Statements of Income, other than for restricted stock, because the exercise price of the Company's stock options granted to employees and directors was equal to the estimated fair market value of the underlying stock at the date of grant.

The Company adopted SFAS 123(R) using the modified prospective transition method, which required the application of the accounting standard as of January 29, 2006, the first day of the Company's fiscal year 2006.

Share-based compensation expense recognized in the Consolidated Statements of Income under SFAS 123(R) is based on awards ultimately expected to vest and, accordingly, has been reduced for estimated forfeitures. SFAS 123(R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The cumulative effect of change in accounting principle on the Consolidated Statement of Income for the year ended February 3, 2007 of $0.7 million (net of tax of $0.4 million) relates to an estimate of forfeitures of previously recognized unvested restricted stock awards outstanding as of January 29, 2006, the date of adoption of SFAS 123(R).

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 2008, 2007 and 2006:

	2008	2007	2006
	(in millions)		
Common Shares Issued	524	524	524
Treasury Shares	(189)	(149)	(128)
Basic Shares	335	375	396
Effect of Dilutive Options and Restricted Stock	2	5	7
Diluted Shares	337	380	403
Anti-dilutive Options (a)	15	9	6

(a) These options were excluded from the calculation of diluted earnings per share because the exercise prices were greater than or equal to the average market price of the common shares and, therefore, their inclusion would have been anti-dilutive.

4. Derivative Financial Instruments

The Company has foreign exchange rate exposure primarily as a result of the January 2007 acquisition of La Senza Corporation whose operations are conducted primarily in Canada. To mitigate the exposure to fluctuations in the U.S. dollar-Canadian dollar exchange rate, the Company entered into a series of cross-currency swaps related to approximately $470 million 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.

The cross-currency interest rate swaps are designated as cash flow hedges of foreign currency exchange risk. Changes in the U.S. dollar-Canadian dollar exchange rate result in reclassification of amounts from accumulated other comprehensive income (loss) to earnings to offset foreign currency transaction gains and losses recognized on the intercompany loans. The Company's aggregate fair value of foreign currency swap arrangements was an asset of $26 million as of January 31, 2009 and a liability of $54 million as of February 2, 2008. The asset and liability are included in Other Assets and Other Long-term Liabilities, respectively, on the Consolidated Balance Sheets.

In March and June 2007, the Company entered into interest rate lock agreements designated as cash flow hedges to mitigate exposure to interest rate fluctuations on the anticipated future issuance of debt. In conjunction with the Company's issuance of notes during July 2007, the interest rate locks were settled. Based on changes between the anticipated and actual amount and timing of the debt issuance, the Company concluded during the second quarter of 2007 that the interest rate locks no longer qualified as cash flow hedges. As a result, $17 million of realized pre-tax gains from the settlement of the interest rate locks was recognized in earnings in the second quarter of 2007. The gain on the interest rate lock agreements is included in Other Income (Loss) on the 2007 Consolidated Statement of Income.

In January 2008, the Company entered into a participating interest rate swap arrangement designated as a cash flow hedge to mitigate exposure to interest rate fluctuations related to the Company's $750 million term loan. The fair value of the participating interest rate swap arrangement was a liability of $30 million as of January 31, 2009 and $13 million as of February 2, 2008. The liability is included in Other Long-term Liabilities on the Consolidated Balance Sheets.

On February 3, 2008, the Company adopted SFAS 157 for financial assets and liabilities. The fair values of the derivative instruments are determined using valuation methodologies that employ Level 2 inputs as defined in SFAS 157.

5. 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 Shareholders' Equity.

The following table provides additional detail regarding the composition of Accumulated Other Comprehensive Income (Loss) as of January 31, 2009 and February 2, 2008:

	January 31, 2009	February 2, 2008
	(in millions)	
Foreign Currency Translation	$ (4)	$ 30
Unrealized Gain (Loss) on Cross Currency Interest Rate Cash Flow Hedge	26	(55)
Reclassification of Cash Flow Hedges to Earnings	(18)	73
Unrealized Loss on Interest Rate Cash Flow Hedge	(29)	(13)
Realized Loss on Cash Flow Hedge	(3)	(4)
Total Accumulated Other Comprehensive (Loss) Income	$(28)	$ 31

6. Acquisitions, Divestitures and Other

Acquisition

La Senza Corporation

On January 12, 2007, the Company completed the acquisition of 100% of the stock of La Senza Corporation ("La Senza") for $600 million, including transaction costs of $8 million. The acquisition was financed through the use of existing cash and was accounted for as a purchase, with results of operations included in the Consolidated Financial Statements since the date of acquisition. La Senza is a Canadian specialty retailer offering lingerie and sleepwear, as well as apparel for girls in the 7-14 year age group. In addition, La Senza licensees operate independently owned stores in 45 other countries. The acquisition of La Senza supports the Company's objective of enhancing its capabilities to pursue its strategic growth goals internationally.

Divestitures

Joint Venture

In April 2008, the Company and its investment partner completed the divestiture of a joint venture, which the Company consolidated under the provisions of FIN 46(R) 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 August 2009 to cover any post-closing contingencies. In December 2008, $15 million of the $24 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 11, "Equity Investments and Other."

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 varies and range from 3 months to

3 years. The Company recognized merchandise sourcing revenue from Express of $435 million and $353 million for 2008 and 2007, respectively. 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 $92 million and $151 million as of January 31, 2009 and February 2, 2008, respectively.

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 11, "Equity Investments and Other."

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 varies and range from 3 months to 3 years. The Company recognized merchandise sourcing revenue from Limited Stores of $92 million and $75 million for 2008 and 2007, respectively. 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 $12 million and $22 million as of January 31, 2009 and February 2, 2008, respectively.

7. 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.

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.

8. Inventories

The following table provides inventories as of January 31, 2009 and February 2, 2008:

	January 31, 2009	February 2, 2008
	(in millions)	
Finished Goods Merchandise	$1,101	$1,140
Raw Materials and Merchandise Components	81	111
Total Inventories	$1,182	$1,251

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.

9. Property and Equipment, Net

Property and Equipment, Net as of January 31, 2009 and February 2, 2008 were as follows:

	January 31, 2009	February 2, 2008
	(in millions)	
Land	$ 60	$ 60
Buildings and Improvements	392	394
Furniture, Fixtures, Software and Equipment	2,375	2,255
Leaseholds and Improvements	1,085	970
Construction in Progress	119	132
Total	4,031	3,811
Accumulated Depreciation and Amortization	(2,102)	(1,949)
Property and Equipment, Net	$ 1,929	$ 1,862

Depreciation expense was $371 million in 2008, $371 million in 2007 and $345 million in 2006.

10. Goodwill, Trade Names and Other Intangible Assets, Net

Goodwill

The following table provides the rollforward of goodwill for the fiscal years ended January 31, 2009 and February 2, 2008:

	Victoria's Secret	Bath & Body Works	Other	Total
		(in millions)		
Balance as of February 3, 2007	$ 999	$628	$ 49	$1,676
Acquisitions	—	—	25	25
Reclassification to Trade Name	—	—	(12)	(12)
Impairment	—	—	(13)	(13)
Reallocation of Purchase Price	(1)	—	(1)	(2)
Foreign Currency Translation	59	—	—	59
Balance as of February 2, 2008	1,057	628	48	1,733
Disposals	—	—	(48)	(48)
Impairment	(189)	—	—	(189)
Foreign Currency Translation	(70)	—	—	(70)
Balance as of January 31, 2009	$ 798	$628	$ —	$1,426

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 $548 million as of January 31, 2009 and $611 million as of February 2, 2008 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 31, 2009 and February 2, 2008:

	January 31, 2009	February 2, 2008
	(in millions)	
Intellectual Property	$ 41	$ 41
Trademarks/Brands	19	45
Licensing Agreements and Customer Relationships	21	28
Favorable Operating Leases	18	22
Total	99	136
Accumulated Amortization	(67)	(70)
Intangible Assets, Net	$ 32	$ 66

Amortization expense was $6 million for 2008, $14 million for 2007 and $11 million for 2006. Estimated future annual amortization expense will be approximately $6 million in each of 2009, 2010 and 2011, $3 million in 2012 and 2013 and $8 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.

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.

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 Minority Interest on the 2007 Consolidated Statement of Income.

11. Equity Investments and Other

Express

On July 6, 2007, the Company completed the divestiture of 75% of its ownership interest in Express to affiliates of Golden Gate Capital. The Company's remaining 25% investment in Express is accounted for under the equity method of accounting.

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 Statement of Income. The Company's investment carrying value for Express was zero as of January 31, 2009 and $99 million as of February 2, 2008. These amounts are included in Other Assets on the Consolidated Balance Sheets.

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. The Company's remaining 25% investment in Limited Stores is accounted for under the equity method of accounting. Accordingly, the Company recorded 25% of Limited Stores' results for the period from August 4, 2007 through January 31, 2009 in Other Income (Loss) on the Consolidated Statement of Income. The Company's investment carrying value for Limited Stores was $12 million as of January 31, 2009 and $13 million as of February 2, 2008 and is included in Other Assets on the Consolidated Balance Sheets.

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 $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 $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.

12. Accrued Expenses and Other

The following table provides additional information about the composition of accrued expenses and other as of January 31, 2009 and February 2, 2008:

	January 31, 2009	February 2, 2008
	(in millions)	
Deferred Revenue, Principally from Gift Card Sales	$166	$218
Compensation, Payroll Taxes and Benefits	103	115
Taxes, Other Than Income	74	71
Returns Reserve	35	37
Insurance	34	33
Rent	25	31
Interest	31	24
Current Portion of Long-term Debt	—	7
Other	201	185
Total Accrued Expenses and Other	$669	$721

13. Income Taxes

The following table provides the components of the Company's provision for income taxes for 2008, 2007 and 2006:

	2008	2007	2006
	(in millions)		
Current:			
U.S. Federal	$151	$352	$385
U.S. State	13	46	75
Non-U.S.	23	18	5
Total	187	416	465
Deferred:			
U.S. Federal	38	59	(22)
U.S. State	15	(56)	(21)
Non-U.S.	(7)	(8)	—
Total	46	(5)	(43)
Provision for Income Taxes	$233	$411	$422

The foreign component of pre-tax income, arising principally from overseas operations, was a loss of $90 million for 2008 which includes the impact of the $215 million impairment of goodwill and other intangible assets and changes in transfer pricing. The foreign pre-tax income was $40 million for 2007 and $54 million for 2006. 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 2008, 2007 and 2006:

	2008	2007	2006
Federal Income Tax Rate	35.0%	35.0%	35.0%
State Income Taxes, Net of Federal Income Tax Effect	5.0%	3.5%	3.2%
State Net Operating Loss and Valuation Allowance Adjustment	2.2%	(3.4%)	—
Non-deductible Loss on Divestiture of Limited Stores	—	1.9%	—
Non-deductible Impairment of Goodwill and Other Intangible Assets	14.2%	—	—
Other Items, Net	(4.9%)	(0.6%)	0.3%
Effective Tax Rate	51.5%	36.4%	38.5%

The Company's effective tax rate has historically reflected and continues to reflect a provision related to the undistributed earnings of foreign affiliates. The Company has recorded a deferred tax liability for those amounts, but the taxes are not paid until the earnings are deemed repatriated to the United States.

Deferred Taxes

The following table provides the effect of temporary differences that cause deferred income taxes as of January 31, 2009 and February 2, 2008. 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 31, 2009			February 2, 2008		
	Assets	Liabilities	Total	Assets	Liabilities	Total
	(in millions)					
Leases	$ 33	$ —	$ 33	$ 24	$ —	$ 24
Non-qualified Retirement Plan	62	—	62	66	—	66
Inventory	47	—	47	51	—	51
Property and Equipment	—	(153)	(153)	—	(82)	(82)
Goodwill	—	(15)	(15)	—	(16)	(16)
Trade Names and Other Intangibles	—	(182)	(182)	—	(203)	(203)
Undistributed Earnings of Foreign Affiliates	—	(13)	(13)	—	(21)	(21)
State Net Operating Losses	32	—	32	47	—	47
Non-U.S. Operating Losses	21	—	21	13	—	13
Valuation Allowance	(28)	—	(28)	(20)	—	(20)
Other, Net	59	—	59	37	—	37
Total Deferred Income Taxes	$226	$(363)	$(137)	$218	$(322)	$(104)

As of January 31, 2009, the Company had available for state income tax purposes net operating loss carryforwards which expire, if unused, in the years 2009 through 2026. The Company has analyzed the realization of the state net operating loss carryforwards on an individual state basis. In the second quarter of 2007, a substantial portion of the valuation allowance was reversed in connection with the Apparel divestitures. 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 31, 2009, the Company had available for non-U.S. tax purposes net operating loss carryforwards which expire, if unused, in the years 2028 and 2029. 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 31, 2009 and $4 million as of February 2, 2008. The Company also had net current deferred tax assets of $78 million and $75 million as of January 31, 2009 and February 2, 2008, respectively, which are included in Other Current Assets on the Consolidated Balance Sheets. Income tax payments were $205 million for 2008, $428 million for 2007 and $451 million for 2006.

Uncertain Tax Positions

Effective February 4, 2007, the Company adopted Financial Accounting Standards Board Interpretation 48, *Accounting for Uncertainty in Income Taxes* (“FIN 48”), an interpretation of FASB Statement 109. FIN 48 requires that a position taken or expected to be taken in a tax return be recognized in the financial statements when it is more likely than not (i.e., a likelihood of more than fifty percent) that the position would be sustained upon examination by tax authorities. A recognized tax position is then measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. 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. Including this adjustment, the Company had $131 million of unrecognized tax benefits as of February 4, 2007, $85 million of which, if recognized, would reduce the effective income tax rate and $6 million of which, if recognized, would reduce Goodwill. Additionally, the Company reclassified $107 million of unrecognized tax benefits from Current Liabilities—Income Taxes to Other Long-term Liabilities on the Consolidated Balance Sheet.

The Company had unrecognized tax benefits of $164 million and $144 million as of January 31, 2009 and February 2, 2008, respectively, of which $95 million and $97 million would reduce the effective income tax rate for 2008 and 2007, respectively. Of the total unrecognized tax benefits, it is reasonably possible that $41 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 matter is effectively settled with the tax authority.

The Company recognizes interest and penalties related to unrecognized tax benefits as components of income tax expense. For 2008, $7 million of interest and penalties was included in the Provision for Income Tax. The Company has accrued approximately $47 million and $40 million for the payment of interest and penalties as of January 31, 2009 and February 2, 2008, respectively.

The following table summarizes the activity related to its unrecognized tax benefits for U.S. federal, state & non-U.S. tax jurisdictions for 2008 and 2007 without interest and penalties:

	2008	2007
	(in millions)	
Gross Unrecognized Tax Benefits, as of the Beginning of the Fiscal Year	$104	$ 92
Increases in Tax Positions for Prior Years	16	6
Decreases in Tax Positions for Prior Years	(18)	(14)
Increases in Unrecognized Tax Benefits as a Result of Current Year Activity	23	28
Decreases to Unrecognized Tax Benefits Relating to Settlements with Taxing Authorities	(3)	(5)
Decreases to Unrecognized Tax Benefits as a Result of a Lapse of the Applicable Statute of Limitations	(5)	(4)
Foreign Currency Translation	(1)	1
Gross Unrecognized Tax Benefits, as of the End of the Fiscal Year	$116	$104

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 2008, the Company was subject to examination by the IRS for calendar years 2006 through 2008. The Company is also subject to various U.S. state and local income tax examinations for the years 1999 to 2008. Finally, the Company is subject to multiple non-U.S. tax jurisdiction examinations for the years 2000 to 2008. 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.

14. Long-term Debt

The following table provides the Company's long-term debt balance as of January 31, 2009 and February 2, 2008:

	January 31, 2009	February 2, 2008
	(in millions)	
Term Loan due August 2012. Variable Interest Rate of 3.99% as of January 31, 2009	$ 750	$ 750
$700 million, 6.90% Fixed Interest Rate Notes due July 2017, Less Unamortized Discount	698	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
$300 million, 6.125% Fixed Interest Rate Notes due December 2012, Less Unamortized Discount	299	299
Credit Facility due January 2010	—	15
5.30% Mortgage due August 2010	2	2
Total	2,897	2,912
Current Portion of Long-term Debt	—	(7)
Total Long-term Debt, net of Current Portion	$2,897	$2,905

In July 2007, the Company issued $700 million of 6.90% notes due July 15, 2017 and $300 million of 7.60% notes due July 15, 2037 utilizing a shelf registration statement under which up to $1 billion of debt securities, common and preferred stock and other securities could be issued. Interest on the notes is payable on January 15 and July 15 of each year.

On August 3, 2007, the Company amended the October 2004 $500 million term loan agreement to increase the borrowing capacity to $750 million and extend the term to August 2012. During the second quarter of 2007, the Company borrowed the additional $250 million under the term loan agreement.

On August 3, 2007, the Company amended its $1 billion unsecured revolving credit facility (the "5-Year Facility") by extending its term to August 2012 and executed a $500 million, 364-day unsecured revolving credit facility (the "364-Day Facility"). On July 11, 2008, the Company renewed the 364-Day Facility and reduced its size to $300 million. Both facilities support the Company's commercial paper and letter of credit programs. As of January 31, 2009, there were no borrowings outstanding under either facility and no commercial paper outstanding. Fees payable under the 5-Year Facility are based on the Company's long-term credit ratings and were 0.15% of the committed amount per year as of January 31, 2009. Fees payable under the 364-Day Facility are also based on the Company's long-term credit ratings and were 0.35% of the committed amount per year as of January 31, 2009.

In January 2006, Mast Industries (Far East) Limited, a wholly owned subsidiary of Limited Brands, Inc., entered into a $60 million unsecured revolving credit facility. During 2006, $30 million was drawn on the facility while the remaining $30 million expired in March 2006. The credit facility was available for general corporate purposes including the funding of dividends to Limited Brands, Inc. Borrowings under the credit facility are due in equal semi-annual installments through the maturity date of the credit facility in January 2010. In October 2008, the Company repaid the Credit Facility due January 2010 and the related current portion of long-term debt.

The facilities and the Term Loan have several interest rate options, which are based in part on the Company's long-term credit ratings. These agreements also require the Company to maintain certain specified fixed charge coverage and leverage ratios and prohibit certain types of liens on property or assets. The Company was in compliance with the covenant requirements as of January 31, 2009.

In January 2008, the Company entered into a participating interest rate swap arrangement designated as a cash flow hedge to mitigate exposure to interest rate fluctuations related to the Term Loan. The participating interest rate swap limits the Company's exposure to increases in the benchmark interest rate while allowing the Company to partially participate in any decreases in the benchmark interest rate. For additional information, See Note 4, "Derivative Instruments."

On February 19, 2009, the Company amended its 5-Year Facility, amended its Term Loan and canceled its 364-Day Facility. For additional information, see Note 22, "Subsequent Event."

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)	
2009	$ —
2010	2
2011	—
2012	1,050
2013	—
Thereafter	1,850

Cash paid for interest was $174 million in 2008, $151 million in 2007 and $100 million in 2006.

15. Fair Value of Financial Instruments

SFAS 107, *Disclosures about Fair Value of Financial Instruments* ("SFAS 107"), requires management to disclose the estimated fair value of certain assets and liabilities defined by SFAS 107 as financial instruments. As of January 31, 2009, management believes that the carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair value because of their short maturity.

Quoted market prices in active markets are the best evidence of fair value and are used as the basis for the measurement, if available. In the absence of quoted prices for identical or similar assets or investments in active markets, fair value is estimated using various valuation methods including cash flow analysis and appraisals.

The estimated fair value of the Company's long-term debt was $2.1 billion compared to the carrying value of $2.9 billion as of January 31, 2009. As of February 2, 2008, the estimated fair value of the Company's long-term debt was $2.8 billion compared to the carrying value of $2.9 billion. The estimated fair value of the Company's publicly traded debt is based on quoted market prices. The estimated fair value of the $750 million term loan is equal to its carrying value. On February 19, 2009, the terms of the Term Loan were amended. The estimates presented are not necessarily indicative of the amounts that could be realized in a current market exchange.

The aggregate estimated fair value of the Company's foreign currency swap arrangements was an asset of $26 million as of January 31, 2009 and a liability of $54 million as of February 2, 2008. The estimated fair value of the Company's participating interest rate swap arrangement was a liability of $30 million as of January 31, 2009 and $13 million as of February 2, 2008.

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 2008, 2007 and 2006:

	2008	2007	2006
	(in millions)		
Store Rent:			
Fixed Minimum	$391	$431	$495
Contingent	37	58	72
Total Store Rent	428	489	567
Office, Equipment and Other	64	70	50
Gross Rent Expense	492	559	617
Sublease Rental Income	(4)	(9)	(14)
Total Rent Expense	$488	$550	$603

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)	
2009	$ 478
2010	455
2011	416
2012	373
2013	341
Thereafter	1,334

(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 $14 million as of January 31, 2009, 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. 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.

Guarantees

In connection with the disposition of certain businesses, the Company has remaining guarantees of approximately $194 million related to lease payments of Express, Limited Stores, Abercrombie & Fitch, Tween Brands (formerly Limited Too and Too, Inc.), 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

2019. 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 September 30, 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 $19 million as of January 31, 2009.

The Company's guarantees related to Express, Limited Stores and New York & Company are subject to the provisions of SFAS 145, *Rescission, Amendment and Technical Correction of Certain Accounting Standards,* which requires fair value accounting for these guarantee obligations. The guaranteed lease payments related to Express (net of the irrevocable standby letter of credit), Limited Stores and New York & Company totaled $94 million and $180 million as of January 31, 2009 and February 2, 2008, respectively. The estimated fair value of these guarantee obligations was $15 million and $10 million as of January 31, 2009 and February 2, 2008, respectively, and is included in Other Long-term Liabilities on its Consolidated Balance Sheets. The increase in the fair value from February 2, 2008 to January 31, 2009 reflects the impact of the current economic environment and the Company's assessment of the risk of default on the guaranteed lease payments.

The Company's guarantees related to Abercrombie & Fitch, Tween Brands (formerly Limited Too and Too, Inc.), Dick's Sporting Goods (formerly Galyan's), Lane Bryant and Anne.x are not subject to the fair value provisions of SFAS 145 because they were executed prior to the effective date of SFAS 145. These guarantees are subject to the provisions of SFAS 5, *Accounting for Contingencies*, which requires that a loss be accrued when probable and reasonably estimable. As of January 31, 2009 and February 2, 2008, the Company had no liability recorded with respect to any of the guarantee obligations subject to SFAS 5 as it concluded that performance under these guarantees was 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 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 $40 million for 2008, $44 million for 2007 and $49 million for 2006.

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 associates to elect contributions up to a maximum percentage of eligible compensation. The Company matches associate contributions according to a predetermined formula and credits additional amounts based on a percentage of the associates' eligible compensation and years of service. The plan also permits 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 and credits, 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 31, 2009 and February 2, 2008:

	January 31, 2009	February 2, 2008
	(in millions)	
Balance at Beginning of Year	$175	$179
Contributions:		
Associate	9	14
Company	9	11
Interest	13	11
Distributions	(39)	(32)
Transfers (a)	—	(8)
Balance at End of Year	$167	$175

(a) Reflects transfers to the plans established by Express and Limited Stores.

Total expense recognized related to the non-qualified plan was $21 million for 2008, $22 million for 2007 and $26 million for 2006.

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 31, 2009, February 2, 2008 and February 3, 2007:

	Amount Authorized	Shares Repurchased 2008	Shares Repurchased 2007	Shares Repurchased 2006	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	1,494	26.35
February 2006	100	—	—	3,990	25.09
November 2005 (d)	200	—	—	1,795	22.82
Total Shares Repurchased		27,587	58,709	7,279	

(a) The repurchase program authorized in October 2008 had $31 million remaining as of January 31, 2009.
(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.

(d) The repurchase program authorized in November 2005 had repurchases of $42 million in 2006 at an average stock price of $23.40 and repurchases of $158 million in 2005 at an average stock price of $22.67. This repurchase program was completed in February 2006.

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. For the October 2008 repurchase program, there were no share repurchases reflected in accounts payable as of January 31, 2009. Through March 20, 2009, no additional shares were repurchased.

20. Share-Based Compensation

Plan Summary

The 1993 Stock Option and Performance Incentive Plan as amended (the "Plan"), which is shareholder approved, 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 over 4 years with 25% vesting each year. Restricted stock generally vests (the restrictions lapse) over a two to 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 100 million options, restricted and unrestricted shares have been authorized to be granted to employees and directors. Approximately 17 million options and shares were available for grant as of January 31, 2009.

Stock Options

The following table provides the Company's stock option activity for the fiscal year ended January 31, 2009:

	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 February 2, 2008	17,841	$19.60		
Granted	2,066	17.09		
Exercised	(2,186)	14.31		
Cancelled	(2,340)	22.17		
Outstanding as of January 31, 2009	15,381	$19.62	5.39	$ —
Vested and Expected to Vest as of January 31, 2009 (a)	14,516	$19.59	5.23	$ —
Options Exercisable as of January 31, 2009	11,228	$19.06	4.39	$ —

(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 $10 million for 2008, $80 million for 2007 and $130 million for 2006.

The total fair value at grant date of option awards vested was $13 million for 2008, $23 million for 2007 and $39 million for 2006.

The Company's total unrecognized compensation cost, net of estimated forfeitures, related to nonvested options was $8 million as of January 31, 2009. This cost is expected to be recognized over a weighted-average period of 2 years.

The weighted-average estimated fair value of stock options granted was $3.47 per share for 2008, $6.97 per share for 2007 and $7.61 per share for 2006.

Cash received from stock options exercised was $31 million for 2008, $74 million for 2007 and $153 million for 2006. Tax benefits realized from tax deductions associated with stock options exercised were $5 million for 2008, $30 million for 2007 and $50 million for 2006.

The Company uses the Black-Scholes option-pricing model ("Black-Scholes 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 2008, 2007 and 2006:

	2008	2007	2006
Expected Volatility	29%	32%	35%
Risk-free Interest Rate	2.5%	4.5%	4.8%
Dividend Yield	3.4%	3.0%	2.9%
Expected Life (in years)	5.2	5.3	5.5

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. 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 31, 2009:

	Number of Shares	Weighted Average Grant Date Fair Value
	(in thousands)	
Unvested as of February 2, 2008	3,370	$22.83
Granted	4,406	15.11
Vested	(887)	21.84
Cancelled	(676)	21.83
Unvested as of January 31, 2009	6,213	17.60

The Company's total intrinsic value of restricted stock vested was $15 million for 2008, $11 million for 2007 and $14 million for 2006.

The Company's total fair value at grant date of awards vested was $19 million for 2008, $8 million for 2007 and $10 million for 2006. 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.

Beginning in 2006, the Company issued performance-based restricted stock awards. The fair value of these shares is measured on the date that the performance goals and the target number of shares are communicated. The final number of shares of performance-based restricted stock issued to each employee is determined at the end of each Spring and Fall selling seasons, based upon performance against specified financial goals. The vesting period of these awards ranges from two to three years.

As of January 31, 2009, there was $28 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 2.3 years.

Tax benefits realized from tax deductions associated with restricted stock vested were $6 million for 2008, $5 million for 2007 and $4 million for 2006.

Income Statement Impact

Total pre-tax share-based compensation expense recognized under SFAS 123(R) was $35 million for 2008, $44 million for 2007 and $37 million for 2006. The tax benefit associated with share-based compensation was $11 million for 2008, $14 million for 2007 and $11 million for 2006.

The following table provides share-based compensation expense included in the Consolidated Statements of Income for 2008, 2007 and 2006:

	2008	2007	2006
		(in millions)	
Costs of Goods Sold, Buying and Occupancy	$11	$10	$ 8
General, Administrative and Store Operating Expenses	24	34	29
Total Share-based Compensation Expense	$35	$44	$37

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 provisions of SFAS 131, *Disclosures about Segments of an Enterprise and Related Information*.

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 of Victoria's Secret's merchandise may be purchased worldwide. La Senza sells merchandise through retail stores located throughout Canada and licensed stores in 45 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 marketed under the Bath & Body Works, C.O. Bigelow and White Barn Candle Company brand names in addition to sales of third-party brands. Bath & Body Works merchandise is sold at retail stores, through its website, *www.bathandbodyworks.com*, and its catalogue.

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 five specialty stores which feature accessories, fashion and personal care products;
- Bath & Body Works Canada, operator of six specialty stores which feature personal care, beauty and home fragrance products;
- Mast, an apparel merchandise sourcing and production company serving Victoria's Secret, La Senza and third-party customers;
- Beauty Avenues, a personal care sourcing and production company serving Victoria's Secret, La Senza and Bath & Body Works; 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 31, 2009, February 2, 2008 and February 3, 2007:

	Victoria's Secret	Bath & Body Works	Apparel(a)	Other	Total
			(in millions)		
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) (c)	718	302	250	(160)	1,110
Total Assets	3,365	1,456	—	2,616	7,437
Capital Expenditures	315	112	37	285	749
February 3, 2007					
Net Sales	$5,139	$2,556	$2,242	734	10,671
Depreciation and Amortization	105	52	66	93	316
Operating Income (Loss) (c)	879	420	(1)	(122)	1,176
Total Assets	3,221	1,516	622	1,734	7,093
Capital Expenditures	160	87	66	235	548

(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.
(c) Amounts presented are restated to conform with the corporate cost allocation methodology adopted at the beginning of 2008.

In 2007, the Company reviewed its corporate organization and allocation methodology as a result of changes in its business including the divestitures of Express and Limited Stores. Consistent with these business changes, the Company has transferred certain individuals and functions from corporate to its operating business units. Beginning in 2008, the Company changed its methodology for allocating certain remaining corporate costs to its operating business units, including, but not limited to, costs related to store real estate and store design and construction activities. This change primarily impacted General, Administrative and Store Operating Expenses across the Company's segments.

The Company's international sales, including La Senza, Bath & Body Works Canada and direct sales shipped internationally totaled $655 million in 2008, $611 million in 2007 and $100 million in 2006. The Company's internationally based long-lived assets were $364 million as of January 31, 2009 and $713 million as of February 2, 2008.

22. Subsequent Event

On February 19, 2009, the Company amended its $1 billion unsecured revolving credit facility expiring in August 2012 (the "5-Year Facility"), amended its $750 million term loan ("Term Loan") 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 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 interest rate as of January 31, 2009 on the Term Loan would have been 6.69% had the amendment been effective at that date. The amendment does not impact the maturity dates of either the 5-Year Facility or the Term Loan. The Company is currently evaluating the impact of the amendment in accordance with Emerging Issues Task Force (EITF) Issue 96-19, *Debtor's Accounting for a Modification or Exchange of Debt Instruments*, and EITF Issue 98-14, *Debtor's Accounting for Changes in Line-of-Credit or Revolving Debt Arrangements*.

23. Quarterly Financial Data (Unaudited)

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	98	102	4	16
Net Income Per Basic Share (a)	$ 0.29	$ 0.30	$ 0.01	$ 0.05
Net Income 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) $215 million impairment charge of goodwill and other intangible assets for the La Senza business.
  (ii) $23 million related to restructuring activities.
  (iii) A tax benefit of $15 million related to certain discrete foreign and state income tax items.

The following table provides summarized quarterly financial data for 2007:

	Fiscal Quarter Ended			
	May 5, 2007	August 4, 2007(b)	November 3, 2007(c)	February 2, 2008(d)
	(in millions except per share data)			
Net Sales	$2,311	$2,624	$1,923	$3,276
Gross Profit (e)	794	811	608	1,296
Operating Income	108	319	62	621
Income Before Income Taxes	92	423	23	591
Net Income	53	264	12	389
Net Income Per Basic Share (a)	$ 0.13	$ 0.68	$ 0.03	$ 1.11
Net Income Per Diluted Share (a)	$ 0.13	$ 0.67	$ 0.03	$ 1.10

(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 $302 million related to the divestiture of a 75% ownership interest in Express.
  (ii) A pre-tax loss of $72 million related to the divestiture of a 75% ownership interest in Limited Stores.
  (iii) A tax benefit of $39 million related to the reversal of state net operating loss carryforward valuation allowances associated with the Apparel divestitures.
  (iv) A pre-tax gain of $100 million related to a distribution from Easton Town Center, LLC.
  (v) $47 million of expense related to various restructuring activities.
  (vi) A pre-tax gain of $17 million related to an interest rate hedge.
(c) Includes the effect of a pre-tax gain of $25 million related to the sale of assets.
(d) Includes the effect of the following items:
  (i) A pre-tax gain of $48 million related to initial recognition of income for unredeemed gift cards at Victoria's Secret.
  (ii) A tax benefit of $28 million related to a decline in the Canadian federal tax rate, favorable tax benefits associated with the Apparel divestitures, audit settlements and other items.
(e) Amounts presented are restated for 2007 to conform to current period presentation.

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 8, 2009 for the Annual Meeting of Stockholders to be held May 28, 2009 (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 Securities and Exchange Commission 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 31, 2009 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 31, 2009 is set forth in Item 8. Financial Statements and Supplementary Data.

Changes in internal control over financial reporting. In April 2008, Mast implemented new supply chain management and finance systems and related processes in the third phase of 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 31, 2009.

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)	21,593,831	$19.62 (2)	17,123,077
Equity compensation plans not approved by security holders	—	—	—
Total	21,593,831	$ 19.62	17,123,077

(1) Includes the following plans: Limited Brands, Inc. 1993 Stock Option and Performance Incentive Plan (2007 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 31, 2009, February 2, 2008 and February 3, 2007

Consolidated Balance Sheets as of January 31, 2009 and February 2, 2008

Consolidated Statements of Shareholders' Equity for the Years Ended January 31, 2009, February 2, 2008 and February 3, 2007

Consolidated Statements of Cash Flows for the Years Ended January 31, 2009, February 2, 2008 and February 3, 2007

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, incorporated by reference to Exhibit 4.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 4, 2007.

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, incorporated by reference to Exhibit 4.1 to the Company's Form 8-K dated February 25, 2009.

10. Material Contracts.

10.1 Officers' Benefits Plan incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended January 28, 1989 (the "1988 Form 10-K").*

10.2 The Limited Supplemental Retirement and Deferred Compensation Plan incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2001.*

10.3 Form of Indemnification Agreement between the Company and the directors and executive officers of the Company incorporated by reference to Exhibit 10.4 to the 1998 Form 10-K.*

10.4 Supplemental schedule of directors and executive officers who are parties to an Indemnification Agreement incorporated by reference to Exhibit 10.5 to the 1998 Form 10-K.*

10.5 The 1993 Stock Option and Performance Incentive Plan of the Company, incorporated by reference to Exhibit 4 to the Company's Registration Statement on Form S-8 (File No. 33-49871).*

10.6 The 1993 Stock Option and Performance Incentive Plan (1996 Restatement) of the Company, incorporated by reference to Exhibit 4 to the Company's Registration Statement on Form S-8 (File No. 333-04941).*

10.7 Intimate Brands, Inc. 1995 Stock Option and Performance Incentive Plan incorporated by reference to the Intimate Brands, Inc. Proxy Statement dated April 14, 1997 (File No. 1-13814).*

10.8 The 1997 Restatement of Limited Brands, Inc. (formerly The Limited, Inc.) 1993 Stock Option and Performance Incentive Plan incorporated by reference to Exhibit B to the Company's Proxy Statement dated April 14, 1997.*

10.9 Limited Brands, Inc. (formerly The Limited, Inc.) 1996 Stock Plan for Non-Associate Directors incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended November 2, 1996.*

10.10 Limited Brands, Inc. (formerly The Limited, Inc.) Incentive Compensation Performance Plan incorporated by reference to Exhibit A to the Company's Proxy Statement dated April 14, 1997.*

10.11 Agreement dated as of May 3, 1999 among Limited Brands, Inc. (formerly The Limited, Inc.), Leslie H. Wexner and the Wexner Children's Trust, incorporated by reference to Exhibit 99 (c) 1 to the Company's Schedule 13E-4 dated May 4, 1999.

10.12 The 1998 Restatement of Limited Brands, Inc. (formerly The Limited, Inc.) 1993 Stock Option and Performance Incentive Plan incorporated by reference to Exhibit A to the Company's Proxy Statement dated April 20, 1998.*

10.13 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.*

10.14 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.*

10.15 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.*

10.16	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.*
10.17	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.*
10.18	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.*
10.19	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.*
10.20	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.*
10.21	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.*
10.22	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.*
10.23	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.*
10.24	Amendment to Employment Agreement dated as of March 28, 2008 among Limited Brands, Inc., and Sharen Jester Turney.*
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 14, 2007.
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).

* 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 27, 2009

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 February 2, 2008:

Signature	Title
/s/ LESLIE H. WEXNER** Leslie H. Wexner	Chairman of the Board of Directors and Chief Executive Officer
/s/ DENNIS S. HERSCH** Dennis S. Hersch	Director
/s/ JAMES L. HESKETT** James L. Heskett	Director
/s/ DONNA A. JAMES** Donna A. James	Director
/s/ DAVID T. KOLLAT** David T. Kollat	Director
/s/ WILLIAM R. LOOMIS, JR.** William R. Loomis, Jr.	Director
/s/ JEFFREY H. MIRO** Jeffrey H. Miro	Director
/s/ JEFFREY B. SWARTZ** Jeffrey B. Swartz	Director
/s/ ALLAN R. TESSLER** Allan R. Tessler	Director
/s/ ABIGAIL S. WEXNER** Abigail S. Wexner	Director

Signature	Title
/s/ RAYMOND ZIMMERMAN** Raymond Zimmerman	Director

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

By /s/ MARTYN R. REDGRAVE

Martyn R. Redgrave
Attorney-in-fact

Form 10-K

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 **2**

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 28, 2009
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 Three Limited Parkway 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 31, 2009:
Number of associates: 90,900
Approximate shareholder base: 165,000

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 31, 2009. In addition, our Chief Executive Officer filed a separate annual certification to the New York Stock Exchange following our annual shareholders' meeting on May 19, 2008.