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

FORM 10-Q

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

For the quarterly period ended October 27, 2012

OR

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

For the transition period from _____ to _____

Commission file number 1-8344

LIMITED BRANDS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

31-1029810

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

**Three Limited Parkway, P.O. Box 16000,
Columbus, Ohio**

(Address of principal executive offices)

43216

(Zip Code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.): Yes No

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

Common Stock, \$.50 Par Value

Outstanding at November
23, 2012

288,371,607 Shares

LIMITED BRANDS, INC.

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* The Company’s fiscal year ends on the Saturday nearest to January 31. As used herein, “third quarter of 2012” and “third quarter of 2011” refer to the thirteen week periods ending October 27, 2012 and October 29, 2011, respectively. “Year-to-date 2012” and “year-to-date 2011” refer to the thirty-nine week periods ending October 27, 2012 and October 29, 2011, respectively.

PART I—FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

**LIMITED BRANDS, INC.
CONSOLIDATED STATEMENTS OF INCOME
(in millions except per share amounts)
(Unaudited)**

	Third Quarter		Year-to-Date	
	2012	2011	2012	2011
Net Sales	\$ 2,050	\$ 2,174	\$ 6,603	\$ 6,849
Costs of Goods Sold, Buying and Occupancy	(1,225)	(1,389)	(3,934)	(4,319)
Gross Profit	825	785	2,669	2,530
General, Administrative and Store Operating Expenses	(638)	(599)	(1,884)	(1,933)
Operating Income	187	186	785	597
Interest Expense	(77)	(64)	(234)	(183)
Other Income	18	—	19	233
Income Before Income Taxes	128	122	570	647
Provision for Income Taxes	54	28	228	156
Net Income	\$ 74	\$ 94	\$ 342	\$ 491
Net Income Per Basic Share	\$ 0.26	\$ 0.32	\$ 1.18	\$ 1.60
Net Income Per Diluted Share	\$ 0.25	\$ 0.31	\$ 1.15	\$ 1.55
Dividends Per Share	\$ 1.25	\$ 0.20	\$ 1.75	\$ 1.60

**LIMITED BRANDS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions)
(Unaudited)**

	Third Quarter		Year-to-Date	
	2012	2011	2012	2011
Net Income	\$ 74	\$ 94	\$ 342	\$ 491
Other Comprehensive Income (Loss), Net of Tax:				
Reclassification of Cash Flow Hedges to Earnings	4	(17)	5	7
Foreign Currency Translation	—	2	1	1
Unrealized Gain (Loss) on Cash Flow Hedges	(6)	17	1	(9)
Total Other Comprehensive Income (Loss), Net of Tax	(2)	2	7	(1)
Total Comprehensive Income	\$ 72	\$ 96	\$ 349	\$ 490

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

LIMITED BRANDS, INC.
CONSOLIDATED BALANCE SHEETS
(in millions except per share amounts)

	October 27, 2012	January 28, 2012	October 29, 2011
	(Unaudited)		(Unaudited)
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 547	\$ 935	\$ 498
Accounts Receivable, Net	225	218	298
Inventories	1,446	997	1,537
Deferred Income Taxes	50	51	30
Other	217	167	253
Total Current Assets	2,485	2,368	2,616
Property and Equipment, Net	1,841	1,644	1,661
Goodwill	1,330	1,330	1,452
Trade Names and Other Intangible Assets, Net	494	495	590
Other Assets	277	271	198
Total Assets	<u>\$ 6,427</u>	<u>\$ 6,108</u>	<u>\$ 6,517</u>
LIABILITIES AND EQUITY (DEFICIT)			
Current Liabilities:			
Accounts Payable	\$ 732	\$ 540	\$ 800
Accrued Expenses and Other	717	770	700
Current Portion of Long-term Debt	57	57	—
Income Taxes	6	159	4
Total Current Liabilities	1,512	1,526	1,504
Deferred Income Taxes	174	183	220
Long-term Debt	4,478	3,481	3,536
Other Long-term Liabilities	778	780	736
Shareholders' Equity (Deficit):			
Preferred Stock - \$1.00 par value; 10 shares authorized; none issued	—	—	—
Common Stock - \$0.50 par value; 1,000 shares authorized; 303, 296 and 335 shares issued; 288, 295 and 297 shares outstanding, respectively	151	148	167
Paid-in Capital	140	25	283
Accumulated Other Comprehensive Income	7	—	—
Retained Earnings (Accumulated Deficit)	(141)	24	1,354
Less: Treasury Stock, at Average Cost; 15, 1 and 38 shares, respectively	(672)	(60)	(1,284)
Total Limited Brands, Inc. Shareholders' Equity (Deficit)	(515)	137	520
Noncontrolling Interest	—	1	1
Total Equity (Deficit)	(515)	138	521
Total Liabilities and Equity (Deficit)	<u>\$ 6,427</u>	<u>\$ 6,108</u>	<u>\$ 6,517</u>

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

LIMITED BRANDS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)
(Unaudited)

	Year-to-Date	
	2012	2011
Operating Activities:		
Net Income	\$ 342	\$ 491
Adjustments to Reconcile Net Income to Net Cash Provided by (Used for) Operating Activities:		
Depreciation and Amortization of Long-lived Assets	287	290
Amortization of Landlord Allowances	(26)	(26)
Deferred Income Taxes	(10)	22
Share-based Compensation Expense	49	38
Excess Tax Benefits from Share-based Compensation	(103)	(40)
Gain on Distributions from Easton Investments	(13)	—
Gain on Sale of Assets	(3)	—
Gain on Sale of Express Common Stock	—	(86)
Contribution of Express Common Stock to The Limited Brands Foundation	—	163
Gain on Contribution of Express Common Stock to The Limited Brands Foundation	—	(147)
Changes in Assets and Liabilities:		
Accounts Receivable	(5)	(57)
Inventories	(449)	(504)
Accounts Payable, Accrued Expenses and Other	62	155
Income Taxes Payable	(60)	(150)
Other Assets and Liabilities	4	(55)
Net Cash Provided by Operating Activities	<u>75</u>	<u>94</u>
Investing Activities:		
Capital Expenditures	(491)	(338)
Proceeds from Sale of Assets	9	—
Proceeds from Sale of Express Common Stock	—	99
Other Investing Activities	11	—
Net Cash Used for Investing Activities	<u>(471)</u>	<u>(239)</u>
Financing Activities:		
Proceeds from Long-term Debt, Net of Issuance Costs	985	981
Repurchase of Common Stock	(616)	(1,073)
Dividends Paid	(507)	(491)
Excess Tax Benefits from Share-based Compensation	103	40
Proceeds from Exercise of Stock Options and Other	42	61
Financing Costs	—	(7)
Net Cash Provided by (Used for) Financing Activities	<u>7</u>	<u>(489)</u>
Effects of Exchange Rate Changes on Cash	1	2
Net Decrease in Cash and Cash Equivalents	(388)	(632)
Cash and Cash Equivalents, Beginning of Period	935	1,130
Cash and Cash Equivalents, End of Period	<u>\$ 547</u>	<u>\$ 498</u>

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

LIMITED BRANDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Description of Business and Basis of Presentation

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 company-owned specialty retail stores in the United States (“U.S.”), Canada and the United Kingdom, which are primarily mall-based, and through its websites, catalogue and other channels. The Company’s other international operations are primarily through franchise, license and wholesale partners. The Company currently operates the following retail brands:

- Victoria’s Secret
- Victoria’s Secret Pink
- Bath & Body Works
- La Senza
- Henri Bendel

Fiscal Year

The Company’s fiscal year ends on the Saturday nearest to January 31. As used herein, “third quarter of 2012” and “third quarter of 2011” refer to the thirteen week periods ending October 27, 2012 and October 29, 2011, respectively. “Year-to-date 2012” and “year-to-date 2011” refer to the thirty-nine week periods ending October 27, 2012 and October 29, 2011, respectively.

Basis of Consolidation

The Consolidated Financial Statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

The Company accounts for investments in unconsolidated entities where it exercises significant influence, but does not have control, using the equity method. Under the equity method of accounting, the Company recognizes its share of the investee net income or loss. Losses are only recognized to the extent the Company has positive carrying value related to the investee. Carrying values are only reduced below zero if the Company has an obligation to provide funding to the investee. The Company’s share of net income or loss of unconsolidated entities from which the Company purchases merchandise or merchandise components is included in Costs 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 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.

Third-party Apparel Sourcing Business

On October 31, 2011, the Company divested 51% of its ownership interest in its third-party apparel sourcing business to affiliates of Sycamore Partners. The Company is accounting for its continuing investment under the equity method of accounting. For additional information, see Note 8, “Equity Investments and Other.”

Express

In April 2011, the Company sold a portion of its remaining shares of common stock in Express in an Express secondary offering, which reduced the Company’s ownership in Express to 8%. A gain was recognized upon the disposition of the shares. In April 2011, the Company also formally renounced its rights to its Express Board of Directors’ seat. As a result, the Company changed its accounting for its investment in Express from the cost method to the available-for-sale method of accounting in the first quarter of 2011.

In July 2011, the Company contributed all of its remaining shares of common stock in Express to The Limited Brands Foundation. For additional information, see Note 8, “Equity Investments and Other.”

Interim Financial Statements

The Consolidated Financial Statements as of and for the periods ended October 27, 2012 and October 29, 2011 are unaudited and are presented pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). These Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto contained in the Company's 2011 Annual Report on Form 10-K.

In the opinion of management, the accompanying Consolidated Financial Statements reflect all adjustments, which are of a normal recurring nature, necessary for a fair presentation of the results for the interim periods.

Seasonality of Business

Due to seasonal variations in the retail industry, the results of operations for any interim period are not necessarily indicative of the results expected for the full fiscal year.

Concentration of Credit Risk

The Company maintains cash and cash equivalents and derivative contracts with various major financial institutions. The Company monitors the relative credit standing of financial institutions with whom the Company transacts and limits the amount of credit exposure with any one entity. Currently, the Company's investment portfolio is comprised of U.S. and Canadian government obligations, U.S. Treasury and AAA-rated money market funds, bank time deposits and highly rated commercial paper.

The Company also periodically reviews the relative credit standing of franchise, license and wholesale partners and other entities to which the Company grants credit terms in the normal course of business.

Use of Estimates in the Preparation of Financial Statements

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

2. New Accounting Pronouncements

Indefinite-Lived Intangible Assets

In July 2012, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2012-02, *Testing Indefinite-Lived Intangible Assets for Impairment*, which gives companies the option to perform a qualitative assessment to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired. If a company determines that it is more likely than not that the fair value of such an asset exceeds its carrying amount, it would not need to calculate the fair value of the asset in that year. However, if a company concludes otherwise, it must calculate the fair value of the asset, compare that value with its carrying amount and record an impairment charge, if any. This guidance will be effective beginning in fiscal 2013, however, early adoption is permitted. ASU 2012-02 will not have an impact on the Company's consolidated results of operations, financial position or cash flows. The Company is currently evaluating the provisions of this ASU.

3. Earnings Per Share and Shareholders' Equity

Earnings Per Share

Earnings per basic share are 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 the third quarter of and year-to-date 2012 and 2011:

	Third Quarter		Year-to-Date	
	2012	2011	2012	2011
	(in millions)			
Weighted-average Common Shares:				
Issued Shares	303	334	301	333
Treasury Shares	(15)	(36)	(11)	(26)
Basic Shares	288	298	290	307
Effect of Dilutive Options and Restricted Stock	6	10	7	10
Diluted Shares	294	308	297	317
Anti-dilutive Options and Awards (a)	1	1	1	1

- (a) These options and awards were excluded from the calculation of diluted earnings per share because their inclusion would have been anti-dilutive.

Shareholders' Equity

Common Stock Repurchases

Under the authority of the Company's Board of Directors, the Company repurchased shares of its common stock under the following repurchase programs during year-to-date 2012 and 2011:

Repurchase Program	Amount Authorized (in millions)	Shares Repurchased		Amount Repurchased		Average Stock Price of Shares Repurchased within Program
		2012	2011	2012	2011	
February 2012 (a)	\$ 500	9,816	NA	\$ 448	NA	\$ 45.60
November 2011	250	3,657	NA	164	NA	44.90
May 2011	500	NA	12,535	NA	\$ 468	37.30
March 2011	500	NA	13,695	NA	500	36.49
November 2010 (b)	200	NA	3,431	NA	109	31.65
Total		13,473	29,661	\$ 612	\$ 1,077	

- (a) The February 2012 repurchase program had \$52 million remaining as of October 27, 2012.
 (b) The November 2010 repurchase program had \$31 million remaining at the time it was cancelled in conjunction with the approval of the March 2011 repurchase program.
 NA Not applicable

There were no share repurchases reflected in Accounts Payable on the October 27, 2012 Consolidated Balance Sheet.

Subsequent to October 27, 2012, the Company repurchased an additional 55 thousand shares of common stock for \$2 million under the February 2012 repurchase program. In addition, subsequent to October 27, 2012, the Company's Board of Directors approved a new \$250 million share repurchase program ("November 2012 repurchase program") which includes \$50 million remaining under the February 2012 repurchase program. Under the November 2012 repurchase program, the Company repurchased 53 thousand shares of common stock for \$2 million through November 23, 2012.

Dividends

Under the authority and declaration of the Board of Directors, the Company paid the following dividends during 2012 and 2011:

	<u>Ordinary Dividends</u>	<u>Special Dividends</u> (per share)	<u>Total Dividends</u>	<u>Total Paid</u> (in millions)
2012				
Third Quarter	\$ 0.25	\$ 1.00	\$ 1.25	\$ 361
Second Quarter	0.25	—	0.25	73
First Quarter	0.25	—	0.25	73
2012 Total	<u>\$ 0.75</u>	<u>\$ 1.00</u>	<u>\$ 1.75</u>	<u>\$ 507</u>
2011				
Third Quarter	\$ 0.20	\$ —	\$ 0.20	\$ 60
Second Quarter	0.20	1.00	1.20	367
First Quarter	0.20	—	0.20	64
2011 Total	<u>\$ 0.60</u>	<u>\$ 1.00</u>	<u>\$ 1.60</u>	<u>\$ 491</u>

In August 2012, the Board of Directors declared the third quarter ordinary dividend of \$0.25 per share and a special dividend of \$1 per share. The special dividend, totaling \$287 million, was distributed on September 7, 2012 to shareholders of record at the close of business on August 23, 2012. In accordance with the anti-dilutive provisions of the 2011 Stock Option and Performance Incentive Plan, the Company adjusted both the exercise price and the number of share-based awards outstanding as of the record date of the special dividend. The aggregate fair value, the aggregate intrinsic value and the ratio of the exercise price to the market price were approximately equal immediately before and after the adjustment. Therefore, no compensation expense was recognized.

4. Restructuring Activities

During the fourth quarter of 2011, the Company initiated a restructuring program designed to resize a portion of La Senza's store fleet and relocate its home office from Montreal, Canada to Columbus, Ohio. The Company recognized a pre-tax charge consisting of contract termination costs, severance and other costs of \$24 million, including non-cash charges of \$5 million, in the fourth quarter of 2011. Through the third quarter of 2012, the Company made cash payments of \$10 million and decreased the estimate of expected contract termination costs by \$3 million related to this restructuring program. This \$3 million change in estimate was included in Cost of Goods Sold, Buying and Occupancy on the 2012 third quarter and year-to-date Consolidated Statements of Income. Of the remaining balance of \$6 million, \$4 million is included in Accrued Expenses and Other and \$2 million is included in Other Long-term Liabilities on the October 27, 2012 Consolidated Balance Sheet.

During the second quarter of 2012, the Company initiated a second restructuring program designed to further resize the La Senza store fleet. The Company recognized a pre-tax charge of \$4 million, including non-cash charges of \$3 million, in the second quarter of 2012. In the third quarter of 2012, the Company recognized a pre-tax charge consisting of contract termination costs and other costs of \$13 million, including non-cash charges of \$3 million. Restructuring charges of \$13 million and \$16 million are included in Cost of Goods Sold, Buying and Occupancy on the 2012 third quarter and year-to-date Consolidated Statements of Income, respectively. Restructuring charges of \$1 million are included in General, Administrative and Store Operating Expenses on the 2012 year-to-date Consolidated Statement of Income. Through the third quarter of 2012, the Company made cash payments of \$2 million related to this restructuring program. Of the remaining balance of \$9 million, \$4 million is included in Accrued Expenses and Other and \$5 million is included in Other Long-term Liabilities on the October 27, 2012 Consolidated Balance Sheet.

5. Inventories

The following table provides details of inventories as of October 27, 2012, January 28, 2012 and October 29, 2011:

	October 27, 2012	January 28, 2012	October 29, 2011
	(in millions)		
Finished Goods Merchandise	\$ 1,326	\$ 926	\$ 1,449
Raw Materials and Merchandise Components	120	71	88
Total Inventories	\$ 1,446	\$ 997	\$ 1,537

Inventories are principally valued at the lower of cost, as determined by the weighted-average cost method, or market.

6. Property and Equipment, Net

The following table provides details of property and equipment, net as of October 27, 2012, January 28, 2012 and October 29, 2011:

	October 27, 2012	January 28, 2012	October 29, 2011
	(in millions)		
Property and Equipment, at Cost	\$ 4,666	\$ 4,387	\$ 4,362
Accumulated Depreciation and Amortization	(2,825)	(2,743)	(2,701)
Property and Equipment, Net	\$ 1,841	\$ 1,644	\$ 1,661

Depreciation expense was \$95 million and \$93 million for the third quarter of 2012 and 2011, respectively. Depreciation expense was \$285 million and \$287 million for year-to-date 2012 and 2011, respectively.

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

Goodwill

The following table provides the rollforward of goodwill for year-to-date 2012:

	Victoria's Secret	Bath & Body Works	Other (a)	Total
	(in millions)			
Balance as of January 28, 2012	\$ 690	\$ 628	\$ 12	\$ 1,330
Foreign Currency Translation	—	—	—	—
Balance as of October 27, 2012	\$ 690	\$ 628	\$ 12	\$ 1,330

- (a) Balance is presented net of a \$189 million and \$119 million La Senza impairment recognized in the fourth quarter of 2008 and the fourth quarter of 2011, respectively.

The following table provides the rollforward of goodwill for year-to-date 2011:

	Victoria's Secret	Bath & Body Works	Other (a)	Total
	(in millions)			
Balance as of January 29, 2011	\$ 690	\$ 628	\$ 133	\$ 1,451
Foreign Currency Translation	—	—	1	1
Balance as of October 29, 2011	\$ 690	\$ 628	\$ 134	\$ 1,452

- (a) Balance is presented net of a \$189 million La Senza impairment recognized in the fourth quarter of 2008.

Intangible Assets – Indefinite Lives

Intangible assets with indefinite lives represent the Victoria's Secret, Bath & Body Works and La Senza trade names. These are included in Trade Names and Other Intangible Assets, Net on the Consolidated Balance Sheets. The following table provides additional detail regarding the composition of trade names as of October 27, 2012, January 28, 2012 and October 29, 2011:

	<u>October 27, 2012</u>	<u>January 28, 2012</u>	<u>October 29, 2011</u>
	(in millions)		
Victoria's Secret	\$ 246	\$ 246	\$ 246
Bath & Body Works	165	165	165
La Senza	75	75	166
Intangible Assets - Trade Names	<u>\$ 486</u>	<u>\$ 486</u>	<u>\$ 577</u>

Intangible Assets – Finite Lives

Intangible assets with finite lives represent certain trademarks and customer relationships. These assets totaled \$8 million as of October 27, 2012, \$9 million as of January 28, 2012 and \$13 million as of October 29, 2011 and are included in Trade Names and Other Intangible Assets, Net on the Consolidated Balance Sheets. Amortization expense was \$1 million and \$1 million for the third quarter of 2012 and 2011, respectively. Amortization expense was \$2 million and \$3 million for year-to-date 2012 and 2011, respectively. Estimated future annual amortization expense will be approximately \$1 million for the remainder of 2012, \$3 million in 2013 and \$2 million in both 2014 and 2015.

8. Equity Investments and Other

Third-party Apparel Sourcing Business

On October 31, 2011, the Company divested 51% of its ownership interest in its third-party apparel sourcing business to affiliates of Sycamore Partners for pre-tax cash proceeds of \$124 million. The Company's remaining ownership interest is accounted for under the equity method of accounting. The Company recorded a pre-tax gain on the divestiture of \$111 million in the fourth quarter of 2011. In the first quarter of 2012, the Company received additional pre-tax cash proceeds of \$11 million as settlement of a working capital adjustment. The proceeds are included in Other Investing Activities within the Investing Activities section of the 2012 Consolidated Statement of Cash Flows.

In conjunction with the transaction, the Company entered into transition services agreements whereby the Company is providing support in various operational areas including logistics, technology and finance. The terms of these transition services arrangements vary and range from two months to three years.

The Company's carrying value for this investment was \$77 million as of October 27, 2012 and \$72 million as of January 28, 2012 and is included in Other Assets on the October 27, 2012 and January 28, 2012 Consolidated Balance Sheets. The Company's share of net income (loss) from this investment is included in Other Income on the 2012 Consolidated Statements of Income.

Subsequent to October 27, 2012, the Company received a \$20 million dividend from the third-party apparel sourcing business. This will reduce the Company's carrying value in this investment in the fourth quarter of 2012.

Express

On April 12, 2011, the Company sold 5.5 million shares of its common stock in Express for \$99 million. As a result, the Company's ownership interest was reduced to 8% and the Company recognized a pre-tax gain of \$86 million, which is included in Other Income on the 2011 Consolidated Statements of Income. On April 21, 2011, the Company formally renounced its rights to its Express Board of Directors' seat. As a result, the Company commenced accounting for its investment in Express using the available-for-sale method of accounting in the first quarter of 2011.

In July 2011, the Company contributed all of its remaining 7.2 million shares of Express, valued at \$163 million, to The Limited Brands Foundation. As a result, the Company recognized contribution expense in 2011 of \$163 million which is included in General, Administrative and Store Operating Expenses on the 2011 Consolidated Statements of Income. The Company also recognized a non-taxable gain of \$147 million, representing the difference between the market value of the Express shares on the date of the contribution and the Company's net carrying value. The gain is included in Other Income on the 2011 Consolidated Statements of Income.

The Company maintains agreements with Express whereby the Company continues to provide logistics services and lease office space. The Company's third-party apparel sourcing business, which the Company divested in the fourth quarter of 2011, also continues to provide merchandise sourcing services to Express. The Company recognized merchandise sourcing revenue from Express of \$123 million and \$315 million in the third quarter of 2011 and year-to-date 2011, respectively. The Company's accounts receivable from Express for merchandise sourcing and other services provided totaled \$88 million as of October 29, 2011.

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 \$73 million as of October 27, 2012, \$70 million as of January 28, 2012 and \$69 million as of October 29, 2011 and are recorded in Other Assets on the Consolidated Balance Sheets. In the third quarter of 2012, the Company received \$13 million in cash distributions from certain of the Company's investments in Easton. As a result, the Company recognized a pre-tax gain of \$13 million which is included in Other Income on the 2012 Consolidated Statements of Income.

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.

9. Income Taxes

The provision for income taxes is based on the current estimate of the annual effective tax rate and is adjusted as necessary for quarterly events. The Company's quarterly effective tax rate does not reflect a benefit associated with losses related to certain foreign subsidiaries.

For the third quarter of 2012 and year-to-date 2012, the Company's effective tax rates were 42.4% and 40.1%, respectively. The 2012 third quarter and year-to-date rate was higher than the Company's combined estimated federal and state rate of 39.0% primarily due to losses related to certain foreign subsidiaries.

For the third quarter of 2011 and year-to-date 2011, the Company's effective tax rates were 22.6% and 24.1%, respectively. The third quarter of 2011 rate was lower than the Company's combined estimated federal and state rate primarily due to the resolution of certain income tax matters. The year-to-date 2011 rate was lower than the Company's combined estimated federal and state rate primarily due to tax benefits associated with the Company's charitable contribution of Express shares to The Limited Brands Foundation as well as the resolution of certain tax matters.

Income taxes paid were approximately \$18 million and \$24 million for the third quarter of 2012 and 2011, respectively. Income taxes paid approximated \$306 million and \$377 million for year-to-date 2012 and 2011, respectively.

10. Long-term Debt

The following table provides the Company's long-term debt balance as of October 27, 2012, January 28, 2012 and October 29, 2011:

	October 27, 2012	January 28, 2012	October 29, 2011
	(in millions)		
Senior Unsecured Debt with Subsidiary Guarantee			
\$1 billion, 5.625% Fixed Interest Rate Notes due February 2022 ("2022 Notes")	\$ 1,000	\$ —	\$ —
\$1 billion, 6.625% Fixed Interest Rate Notes due April 2021 ("2021 Notes")	1,000	1,000	1,000
\$500 million, 8.50% Fixed Interest Rate Notes due June 2019, Less Unamortized Discount ("2019 Notes")	489	488	487
\$400 million, 7.00% Fixed Interest Rate Notes due May 2020 ("2020 Notes")	400	400	400
Total Senior Unsecured Debt with Subsidiary Guarantee	\$ 2,889	\$ 1,888	\$ 1,887
Senior Unsecured Debt			
\$700 million, 6.90% Fixed Interest Rate Notes due July 2017, Less Unamortized Discount ("2017 Notes")(a)	\$ 722	\$ 724	\$ 721
\$350 million, 6.95% Fixed Interest Rate Debentures due March 2033, Less Unamortized Discount ("2033 Notes")	350	350	350
\$300 million, 7.60% Fixed Interest Rate Notes due July 2037, Less Unamortized Discount ("2037 Notes")	299	299	299
5.25% Fixed Interest Rate Notes due November 2014, Less Unamortized Discount ("2014 Notes")(b)	218	220	221
6.125% Fixed Interest Rate Notes due December 2012, Less Unamortized Discount ("2012 Notes")(c)	57	57	58
Total Senior Unsecured Debt	\$ 1,646	\$ 1,650	\$ 1,649
Total	\$ 4,535	\$ 3,538	\$ 3,536
Current Portion of Long-term Debt	(57)	(57)	—
Total Long-term Debt, Net of Current Portion	\$ 4,478	\$ 3,481	\$ 3,536

- (a) The balances include a fair value interest rate hedge adjustment which increased the debt balance by \$23 million as of October 27, 2012, \$25 million as of January 28, 2012 and \$22 million as of October 29, 2011.
- (b) The principal balance outstanding was \$213 million as of October 27, 2012, January 28, 2012 and October 29, 2011. The balances include a fair value interest rate hedge adjustment which increased the debt balance by \$5 million as of October 27, 2012, \$7 million as of January 28, 2012 and \$8 million as of October 29, 2011.
- (c) The principal balance outstanding was \$57 million as of October 27, 2012, January 28, 2012 and October 29, 2011. The October 29, 2011 balance includes a fair value interest rate hedge adjustment which increased the debt balance by \$1 million.

Issuance of Notes

In February 2012, the Company issued \$1 billion of 5.625% notes due in February 2022 utilizing an existing shelf registration under which debt securities, common and preferred stock and other securities can be issued. The 2022 Notes are jointly and severally guaranteed on a full and unconditional basis by certain of the Company's 100% owned subsidiaries (such subsidiaries, the "Guarantors"). The proceeds from the issuance were \$985 million, which were net of issuance costs of \$15 million. These issuance costs are being amortized through the maturity date of February 2022 and are included within Other Assets on the October 27, 2012 Consolidated Balance Sheet.

In March 2011, the Company issued \$1 billion of 6.625% notes due in April 2021 utilizing an existing shelf registration under which debt securities, common and preferred stock and other securities can be issued. The 2021 Notes are jointly and severally guaranteed on a full and unconditional basis by the Guarantors. The proceeds from the issuance were \$981 million, which were net of issuance costs of \$19 million. These issuance costs are being amortized through the maturity date of April 2021 and are included within Other Assets on the Consolidated Balance Sheets.

Revolving Facility

On July 15, 2011, the Company entered into an amendment and restatement (“Amendment”) of its secured revolving credit facility (“Revolving Facility”). The Amendment increased the aggregate amount of the commitments of the lenders under the Revolving Facility from \$800 million to \$1 billion and extended the termination date from August 1, 2014 to July 15, 2016. In addition, the Amendment reduced fees payable under the Revolving Facility which are based on the Company’s long-term credit ratings. The fees related to committed and unutilized amounts per year were reduced from 0.50% to 0.325% per annum and the fees related to outstanding letters of credit were reduced from 3.00% to 1.75% per annum. In addition, the interest rate on outstanding borrowings was reduced from the London Interbank Offered Rate (“LIBOR”) plus 3.00% to LIBOR plus 1.75%.

The Company incurred fees related to the Amendment of the Revolving Facility of \$7 million, which were capitalized and are being amortized over the remaining term of the Revolving Facility.

The Revolving Facility contains fixed charge coverage and debt to EBITDA financial covenants. The Company is required to maintain a fixed charge coverage ratio of not less than 1.75 to 1.00 and a consolidated debt to consolidated EBITDA ratio not exceeding 4.00 to 1.00 for the most recent four-quarter period. In addition, the Revolving Facility provides that investments and restricted payments may be made, without limitation on amount, if (a) at the time of and after giving effect to such investment or restricted payment the ratio of consolidated debt to consolidated EBITDA for the most recent four-quarter period is less than 3.00 to 1.00 and (b) no default or event of default exists. As of October 27, 2012, the Company was in compliance with both of its financial covenants and the ratio of consolidated debt to consolidated EBITDA was less than 3.00 to 1.00.

As of October 27, 2012, there were no borrowings outstanding under the Revolving Facility.

Letters of Credit

The Revolving Facility supports the Company’s letter of credit program. The Company had \$20 million of outstanding letters of credit as of October 27, 2012 that reduce its remaining availability under its Revolving Facility.

Fair Value Interest Rate Swap Arrangements

For information related to the Company’s fair value interest rate swap arrangements, see Note 11, “Derivative Instruments.”

11. Derivative Instruments

Foreign Exchange Risk

In January 2007, the Company entered into a series of cross-currency swaps related to approximately CAD\$470 million of Canadian dollar denominated intercompany loans. These cross-currency swaps mitigate the exposure to fluctuations in the U.S. dollar-Canadian dollar exchange rate related to the Company’s Canadian operations. The cross-currency swaps require the periodic exchange of fixed rate Canadian dollar interest payments for fixed rate U.S. dollar interest payments as well as exchange of Canadian dollar and U.S. dollar principal payments upon maturity. The cross-currency swaps mature between 2015 and 2018 at the same time as the related loans and are designated as cash flow hedges of foreign currency exchange risk. Changes in the U.S. dollar-Canadian dollar exchange rate and the related swap settlements result in reclassification of amounts from accumulated other comprehensive income to earnings to completely offset foreign currency transaction gains and losses recognized on the intercompany loans.

The following table provides a summary of the fair value and balance sheet classification of the derivative financial instruments designated as foreign exchange cash flow hedges as of October 27, 2012, January 28, 2012 and October 29, 2011:

	October 27, 2012	January 28, 2012	October 29, 2011
	(in millions)		
Other Long-term Liabilities	\$ 59	\$ 60	\$ 66

The following table provides a summary of the pre-tax financial statement effect of the gains and losses on the Company's derivative instruments designated as foreign exchange cash flow hedges for the third quarter and year-to-date 2012 and 2011:

	Location	Third Quarter		Year-to-Date	
		2012	2011	2012	2011
(in millions)					
Gain (Loss) Recognized in Other Comprehensive Income (Loss)	Other Comprehensive Income (Loss)	\$ (6)	\$ 17	\$ 1	\$ (9)
(Gain) Loss Reclassified from Accumulated Other Comprehensive Income into Other Income (a)	Other Income	4	(17)	5	6

- (a) Represents reclassification of amounts from accumulated other comprehensive income to earnings to completely offset foreign currency transaction gains and losses recognized on the intercompany loans. No ineffectiveness was associated with these foreign exchange cash flow hedges.

Interest Rate Risk

Interest Rate Designated Fair Value Hedges

The Company had interest rate swap arrangements related to the 2017 Notes with a notional amount of \$175 million as of January 28, 2012 and October 29, 2011. The interest rate swap arrangements effectively converted the fixed interest rate on the related debt to a variable interest rate based on LIBOR plus a fixed interest rate.

The swap arrangements were designated as fair value hedges. The changes in the fair value of the interest rate swaps had an equal and offsetting impact to the carrying value of the debt on the balance sheet. The differential to be paid or received on the interest rate swap arrangements was accrued and recognized as an adjustment to interest expense.

In August 2011, the Company terminated interest rate designated fair value hedges related to the 2014 Notes with a notional amount of \$213 million. In settlement of these hedges, the Company received \$9 million. In September 2011, the Company terminated interest rate designated fair value hedges related to the 2017 Notes with a notional amount of \$150 million. In settlement of these hedges, the Company received \$12 million. In June 2012, the Company terminated the remaining interest rate designated fair value hedges related to the 2017 Notes with a notional amount of \$175 million. In settlement of these hedges, the Company received \$14 million. The carrying values of the respective Notes include the settlement amounts received upon termination of the hedges. The settlement amounts are amortized as a reduction to interest expense through the maturity date of the respective Notes.

The following table provides a summary of the fair value and balance sheet classification of the derivative financial instruments designated as interest rate fair value hedges as of October 27, 2012, January 28, 2012 and October 29, 2011:

	October 27, 2012	January 28, 2012	October 29, 2011
	(in millions)		
Other Assets	\$ —	\$ 14	\$ 10

12. Fair Value Measurements

The following table provides a summary of the carrying value and fair value of long-term debt as of October 27, 2012, January 28, 2012 and October 29, 2011:

	October 27, 2012	January 28, 2012	October 29, 2011
	(in millions)		
Carrying Value	\$ 4,535	\$ 3,538	\$ 3,536
Fair Value (a)	5,073	3,849	3,762

- (a) The estimated fair value of the Company's publicly traded debt is based on reported transaction prices which are considered Level 2 inputs in accordance with ASC Topic 820, *Fair Value Measurements and Disclosure*. The estimates presented are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

The authoritative guidance included in ASC Topic 820, establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 – Quoted market prices in active markets for identical assets or liabilities.
- Level 2 – Observable inputs other than quoted market prices included in Level 1, such as quoted prices of similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The following table provides a summary of assets and liabilities measured in the consolidated financial statements at fair value on a recurring basis as of October 27, 2012, January 28, 2012 and October 29, 2011:

	Level 1	Level 2	Level 3	Total
	(in millions)			
As of October 27, 2012				
Assets:				
Cash and Cash Equivalents	\$ 547	\$ —	\$ —	\$ 547
Liabilities:				
Cross-currency Cash Flow Hedges	—	59	—	59
Lease Guarantees	—	—	3	3
As of January 28, 2012				
Assets:				
Cash and Cash Equivalents	\$ 935	\$ —	\$ —	\$ 935
Interest Rate Designated Fair Value Hedges	—	14	—	14
Liabilities:				
Cross-currency Cash Flow Hedges	—	60	—	60
Lease Guarantees	—	—	4	4
As of October 29, 2011				
Assets:				
Cash and Cash Equivalents	\$ 498	\$ —	\$ —	\$ 498
Interest Rate Designated Fair Value Hedges	—	10	—	10
Liabilities:				
Cross-currency Cash Flow Hedges	—	66	—	66
Lease Guarantees	—	—	5	5

The Company's Level 2 fair value measurements are measured using market approach valuation techniques. The primary inputs to these techniques include benchmark interest rates and foreign currency exchange rates, as applicable to the underlying instruments.

The Company's Level 3 fair value measurements are measured using income approach valuation techniques. The primary inputs to these techniques include the guaranteed lease payments, discount rates, as well as the Company's assessment of the risk of default on guaranteed leases.

Management believes that the carrying values of accounts receivable, accounts payable and accrued expenses approximate fair value because of their short maturity.

The following table provides a reconciliation of the Company's lease guarantees measured at fair value on a recurring basis using unobservable inputs (Level 3) for the third quarter and year-to-date 2012 and 2011:

	Third Quarter		Year-to-Date	
	2012	2011	2012	2011
	(in millions)			
Beginning Balance	\$ 3	\$ 5	\$ 4	\$ 6
Change in Estimated Fair Value Reported in Earnings	—	—	(1)	(1)
Ending Balance	<u>\$ 3</u>	<u>\$ 5</u>	<u>\$ 3</u>	<u>\$ 5</u>

The Company's lease guarantees include minimum rent and additional payments covering taxes, common area costs and certain other expenses and relate to leases that commenced prior to the disposition of certain businesses. The fair value of these lease guarantees is impacted by economic conditions, probability of rent obligation payments, period of obligation as well as the discount rate utilized. For additional information, see Note 14, "Commitments and Contingencies."

13. Comprehensive Income

The following table provides the rollforward of additional detail regarding the composition of accumulated other comprehensive income for year-to-date 2012:

	Foreign Currency Translation	Cash Flow Hedges	Accumulated Other Comprehensive Income
	(in millions)		
Balance as of January 28, 2012	\$ (8)	\$ 8	\$ —
Current-period Other Comprehensive Income	1	6	7
Balance as of October 27, 2012	<u>\$ (7)</u>	<u>\$ 14</u>	<u>\$ 7</u>

The following table provides the rollforward of additional detail regarding the composition of accumulated other comprehensive income (loss) for year-to-date 2011:

	Foreign Currency Translation	Cash Flow Hedges	Accumulated Other Comprehensive Income (Loss)
	(in millions)		
Balance as of January 29, 2011	\$ (7)	\$ 8	\$ 1
Current-period Other Comprehensive Income (Loss)	1	(2)	(1)
Balance as of October 29, 2011	<u>\$ (6)</u>	<u>\$ 6</u>	<u>\$ —</u>

The components of accumulated other comprehensive income (loss) above are presented net of tax as applicable.

14. Commitments and Contingencies

The Company is subject to various claims and contingencies related to lawsuits, taxes, insurance, regulatory and other matters arising out of the normal course of business. Actions filed against the Company from time to time include commercial, tort, intellectual property, customer, employment, data privacy, securities and other claims, including purported class action lawsuits. Management believes that the ultimate liability arising from such claims and contingencies, if any, is not likely to have a material adverse effect on the Company's results of operations, financial condition or cash flows.

In July 2009, a complaint was filed against the Company for patent infringement in the United States District Court for the Eastern District of Texas. The complaint sought monetary damages, costs, attorneys' fees, and injunctive relief. In November 2011, a jury found in favor of the plaintiff and awarded damages of \$9 million for infringement from 2007 through 2011. The Company is unable to estimate the range of possible losses related to future infringement through the patents' expiration in 2015. The Company intends to appeal the judgment and to vigorously defend against this action.

Guarantees

In connection with the disposition of certain businesses, the Company has remaining guarantees of approximately \$60 million related to lease payments of Express, Limited Stores, Abercrombie & Fitch, Dick's Sporting Goods and New York & Company under the current terms of noncancelable leases expiring at various dates through 2017. These guarantees include minimum rent and additional payments covering taxes, common area costs and certain other expenses and relate to leases that commenced prior to the disposition of the businesses. In certain instances, the Company's guarantee may remain in effect if the term of a lease is extended.

The Company's guarantees related to Express, Limited Stores and New York & Company require fair value accounting in accordance with generally accepted accounting principles ("GAAP") in effect at the time of these divestitures. The guaranteed lease payments related to Express, Limited Stores and New York & Company totaled \$39 million as of October 27, 2012, \$49 million as of January 28, 2012 and \$53 million as of October 29, 2011. The estimated fair value of these guarantee obligations was \$3 million as of October 27, 2012, \$4 million as of January 28, 2012 and \$5 million as of October 29, 2011, and is included in Other Long-term Liabilities on the Consolidated Balance Sheets.

The Company's guarantees related to Abercrombie & Fitch and Dick's Sporting Goods are not subject to fair value accounting, but require that a loss be accrued when probable and reasonably estimable based on GAAP in effect at the time of these divestitures. The Company had no liability recorded with respect to any of the guarantee obligations as it concluded that payments under these guarantees were not probable as of October 27, 2012, January 28, 2012 and October 29, 2011.

15. 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 available to associates who meet certain age, service, job level and compensation requirements.

The qualified plan permits participating associates to elect contributions up to the maximum limits allowable under the Internal Revenue Code. The Company matches associate contributions according to a predetermined formula and contributes additional amounts based on a percentage of the associates' eligible annual compensation and years of service. Associate contributions and Company matching contributions vest immediately. Additional Company contributions and the related investment earnings are subject to vesting based on years of service. Total expense recognized related to the qualified plan was \$13 million for both the third quarter of 2012 and 2011. Total expense recognized related to the qualified plan was \$40 million for both year-to-date 2012 and 2011.

The non-qualified plan is an unfunded plan which provides benefits beyond the Internal Revenue Code limits for qualified defined contribution plans. The plan permits participating associates to elect contributions up to a maximum percentage of eligible compensation. The Company matches associate contributions according to a predetermined formula and contributes additional amounts based on a percentage of the associates' eligible compensation and years of service. The plan also permits participating associates to defer additional compensation up to a maximum amount which the Company does not match. Associates' accounts are credited with interest using a rate determined by the Company. Associate contributions and the related interest vest immediately. Company contributions, along with related interest, are subject to vesting based on years of service. Associates may elect in-service distributions for the unmatched additional deferred compensation component only. The remaining vested portion of associates' accounts in the plan will be distributed upon termination of employment in either a lump sum or in annual installments over a specified period of up to 10 years. Total expense recognized related to the non-qualified plan was \$7 million for the third quarter of 2012 and \$9 million for the third quarter of 2011. Total expense recognized related to the non-qualified plan was \$19 million for year-to-date 2012 and \$21 million for year-to-date 2011.

16. Segment Information

The Company has two reportable segments: Victoria's Secret and Bath & Body Works. Prior to the fourth quarter of 2011, the Victoria's Secret reportable segment consisted of the Victoria's Secret and La Senza operating segments which were aggregated in accordance with the authoritative guidance included in ASC Topic 280, *Segment Reporting*. In the fourth quarter of 2011, the Company ceased aggregating La Senza with Victoria's Secret. While this reporting change did not impact the Company's consolidated results, segment data for previous years has been recast to be consistent with the current year presentation throughout the financial statements and the accompanying notes.

The Victoria's Secret segment sells women's intimate and other apparel, personal care and beauty products under the Victoria's Secret and Victoria's Secret Pink brand names. Victoria's Secret merchandise is sold through retail stores, its website, www.VictoriasSecret.com, and its catalogue.

The Bath & Body Works segment sells personal care, beauty and home fragrance products under the Bath & Body Works, C.O. Bigelow, White Barn Candle Company and other brand names. Bath & Body Works merchandise is sold at retail stores and through its website, www.BathandBodyWorks.com.

Other consists of the following:

- Mast Global, a merchandise sourcing and production function serving the Company and its international partners;
- International retail, franchise, license and wholesale operations, which include the company-owned La Senza and Bath & Body Works stores in Canada and Victoria's Secret stores in Canada and the United Kingdom;
- Henri Bendel, a chain of specialty stores which feature accessories and personal care products; 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 for the third quarter and year-to-date 2012 and 2011. As discussed above, certain reclassifications have been made to amounts for prior periods to conform to the current year's presentation.

	Victoria's Secret	Bath & Body Works	Other	Total
	(in millions)			
2012				
Third Quarter:				
Net Sales	\$ 1,280	\$ 538	\$ 232	\$ 2,050
Operating Income (Loss)	158	58	(29)	187
Year-to-Date:				
Net Sales	\$ 4,327	\$ 1,652	\$ 624	\$ 6,603
Operating Income (Loss)	692	206	(113)	785
2011				
Third Quarter:				
Net Sales	\$ 1,218	\$ 504	\$ 452	\$ 2,174
Operating Income (Loss)	150	41	(5)	186
Year-to-Date:				
Net Sales	\$ 4,031	\$ 1,547	\$ 1,271	\$ 6,849
Operating Income (Loss)	634	165	(202)	597

In the fourth quarter of 2011, the Company divested 51% of our third-party apparel sourcing business, which was included in Other in the table above. For additional information, see Note 8, "Equity Investments and Other."

The Company's international sales, consisting of La Senza, Victoria's Secret Canada, Bath & Body Works Canada and Victoria's Secret UK retail sales; non-U.S. franchise, license and wholesale operations; and direct sales shipped internationally, totaled \$242 million and \$207 million for the third quarter of 2012 and 2011, respectively. The Company's international sales totaled \$684 million and \$643 million for year-to-date 2012 and 2011, respectively.

17. Subsequent Events

Subsequent to October 27, 2012, the Company received a \$20 million dividend from its third-party apparel sourcing business, an investment accounted for under the equity method. For additional information, see Note 8, "Equity Investments and Other."

Subsequent to October 27, 2012, the Company's Board of Directors approved the new \$250 million November 2012 repurchase program. In addition, the Company repurchased an additional 55 thousand shares of common stock for \$2 million under the February 2012 repurchase program and 53 thousand shares of common stock for \$2 million under the November 2012 repurchase program. For additional information, see Note 3, "Earnings Per Share and Shareholders' Equity."

18. Supplemental Guarantor Financial Information

The Company's 2019 Notes, 2020 Notes, 2021 Notes and 2022 Notes are jointly and severally guaranteed on a full and unconditional basis by certain of the Company's 100% owned subsidiaries. The Company is a holding company and its most significant assets are the stock of its subsidiaries. The Guarantors represent: (a) substantially all of the sales of the Company's domestic subsidiaries, (b) more than 90% of the assets owned by the Company's domestic subsidiaries, other than real property, certain other assets and intercompany investments and balances and (c) more than 95% of the accounts receivable and inventory directly owned by the Company's domestic subsidiaries.

The following supplemental financial information sets forth for the Company and its guarantor and non-guarantor subsidiaries: the Condensed Consolidating Balance Sheets as of October 27, 2012, January 28, 2012 and October 29, 2011; and the Condensed Consolidating Statements of Income, Comprehensive Income and Cash Flows for the periods ended October 27, 2012 and October 29, 2011.

LIMITED BRANDS, INC.
CONDENSED CONSOLIDATING BALANCE SHEETS
(in millions)
(Unaudited)

	October 27, 2012				
	Limited Brands, Inc.	Guarantor Subsidiaries	Non- guarantor Subsidiaries	Eliminations	Consolidated Limited Brands, Inc.
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ —	\$ 226	\$ 321	\$ —	\$ 547
Accounts Receivable, Net	—	142	83	—	225
Inventories	—	1,231	215	—	1,446
Deferred Income Taxes	—	34	16	—	50
Other	—	158	59	—	217
Total Current Assets	—	1,791	694	—	2,485
Property and Equipment, Net	—	1,036	805	—	1,841
Goodwill	—	1,318	12	—	1,330
Trade Names and Other Intangible Assets, Net	—	410	84	—	494
Net Investments in and Advances to/from Consolidated Affiliates	3,898	13,889	913	(18,700)	—
Other Assets	190	45	690	(648)	277
Total Assets	<u>\$ 4,088</u>	<u>\$ 18,489</u>	<u>\$ 3,198</u>	<u>\$ (19,348)</u>	<u>\$ 6,427</u>
LIABILITIES AND EQUITY (DEFICIT)					
Current Liabilities:					
Accounts Payable	\$ —	\$ 451	\$ 281	\$ —	\$ 732
Accrued Expenses and Other	77	396	244	—	717
Current Portion of Long-term Debt	57	—	—	—	57
Income Taxes	—	—	6	—	6
Total Current Liabilities	134	847	531	—	1,512
Deferred Income Taxes	(5)	(3)	182	—	174
Long-term Debt	4,478	597	37	(634)	4,478
Other Long-term Liabilities	3	592	197	(14)	778
Total Equity (Deficit)	(522)	16,456	2,251	(18,700)	(515)
Total Liabilities and Equity (Deficit)	<u>\$ 4,088</u>	<u>\$ 18,489</u>	<u>\$ 3,198</u>	<u>\$ (19,348)</u>	<u>\$ 6,427</u>

LIMITED BRANDS, INC.
CONDENSED CONSOLIDATING BALANCE SHEETS
(in millions)

	January 28, 2012				
	Limited Brands, Inc.	Guarantor Subsidiaries	Non- guarantor Subsidiaries	Eliminations	Consolidated Limited Brands, Inc.
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ —	\$ 371	\$ 564	\$ —	\$ 935
Accounts Receivable, Net	—	142	76	—	218
Inventories		822	175	—	997
Deferred Income Taxes	—	33	18	—	51
Other	—	109	58	—	167
Total Current Assets	—	1,477	891	—	2,368
Property and Equipment, Net	—	911	733	—	1,644
Goodwill	—	1,318	12	—	1,330
Trade Names and Other Intangible Assets, Net	—	410	85	—	495
Net Investments in and Advances to/from Consolidated Affiliates	3,531	13,928	518	(17,977)	—
Other Assets	199	43	677	(648)	271
Total Assets	<u>\$ 3,730</u>	<u>\$ 18,087</u>	<u>\$ 2,916</u>	<u>\$ (18,625)</u>	<u>\$ 6,108</u>
LIABILITIES AND EQUITY					
Current Liabilities:					
Accounts Payable	\$ 4	\$ 312	\$ 224	\$ —	\$ 540
Accrued Expenses and Other	51	412	307	—	770
Current Portion of Long-term Debt	57	—	—	—	57
Income Taxes	1	150	8	—	159
Total Current Liabilities	113	874	539	—	1,526
Deferred Income Taxes	(6)	10	179	—	183
Long-term Debt	3,481	597	36	(633)	3,481
Other Long-term Liabilities	6	582	207	(15)	780
Total Equity	136	16,024	1,955	(17,977)	138
Total Liabilities and Equity	<u>\$ 3,730</u>	<u>\$ 18,087</u>	<u>\$ 2,916</u>	<u>\$ (18,625)</u>	<u>\$ 6,108</u>

LIMITED BRANDS, INC.
CONDENSED CONSOLIDATING BALANCE SHEETS
(in millions)
(Unaudited)

	October 29, 2011				
	Limited Brands, Inc.	Guarantor Subsidiaries	Non- guarantor Subsidiaries	Eliminations	Consolidated Limited Brands, Inc.
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ —	\$ 89	\$ 409	\$ —	\$ 498
Accounts Receivable, Net	1	238	59	—	298
Inventories	—	1,274	264	(1)	1,537
Deferred Income Taxes	—	31	(1)	—	30
Other	—	152	101	—	253
Total Current Assets	1	1,784	832	(1)	2,616
Property and Equipment, Net	—	928	733	—	1,661
Goodwill	—	1,318	134	—	1,452
Trade Names and Other Intangible Assets, Net	—	411	179	—	590
Net Investments in and Advances to/ from Consolidated Affiliates	3,930	16,363	3,124	(23,417)	—
Other Assets	198	45	628	(673)	198
Total Assets	<u>\$ 4,129</u>	<u>\$ 20,849</u>	<u>\$ 5,630</u>	<u>\$ (24,091)</u>	<u>\$ 6,517</u>
LIABILITIES AND EQUITY					
Current Liabilities:					
Accounts Payable	\$ 2	\$ 389	\$ 409	\$ —	\$ 800
Accrued Expenses and Other	67	386	247	—	700
Income Taxes	—	—	4	—	4
Total Current Liabilities	69	775	660	—	1,504
Deferred Income Taxes	(5)	39	186	—	220
Long-term Debt	3,536	659	(6)	(653)	3,536
Other Long-term Liabilities	8	554	187	(13)	736
Total Equity	521	18,822	4,603	(23,425)	521
Total Liabilities and Equity	<u>\$ 4,129</u>	<u>\$ 20,849</u>	<u>\$ 5,630</u>	<u>\$ (24,091)</u>	<u>\$ 6,517</u>

LIMITED BRANDS, INC.
CONDENSED CONSOLIDATING STATEMENTS OF INCOME
(in millions)
(Unaudited)

	Third Quarter 2012				
	Limited Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated Limited Brands, Inc.
Net Sales	\$ —	\$ 1,872	\$ 690	\$ (512)	\$ 2,050
Costs of Goods Sold, Buying and Occupancy	—	(1,135)	(573)	483	(1,225)
Gross Profit	—	737	117	(29)	825
General, Administrative and Store Operating Expenses	(1)	(572)	(94)	29	(638)
Operating Income (Loss)	(1)	165	23	—	187
Interest Expense	(77)	(4)	(2)	6	(77)
Other Income (Expense)	160	(156)	16	(2)	18
Income (Loss) Before Income Taxes	82	5	37	4	128
Provision (Benefit) for Income Taxes	—	28	26	—	54
Equity in Earnings (Loss), Net of Tax	(8)	117	111	(220)	—
Net Income (Loss)	\$ 74	\$ 94	\$ 122	\$ (216)	\$ 74

LIMITED BRANDS, INC.
CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME
(in millions)
(Unaudited)

	Third Quarter 2012				
	Limited Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated Limited Brands, Inc.
Net Income	\$ 74	\$ 94	\$ 122	\$ (216)	\$ 74
Other Comprehensive Income (Loss), Net of Tax:					
Reclassification of Cash Flow Hedges to Earnings	—	—	4	—	4
Foreign Currency Translation	—	—	—	—	—
Unrealized Gain (Loss) on Cash Flow Hedges	—	—	(6)	—	(6)
Total Other Comprehensive Income (Loss), Net of Tax	—	—	(2)	—	(2)
Total Comprehensive Income	\$ 74	\$ 94	\$ 120	\$ (216)	\$ 72

LIMITED BRANDS, INC.
CONDENSED CONSOLIDATING STATEMENTS OF INCOME
(in millions)
(Unaudited)

	Third Quarter 2011				
	Limited Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated Limited Brands, Inc.
Net Sales	\$ —	\$ 2,022	\$ 876	\$ (724)	\$ 2,174
Costs of Goods Sold, Buying and Occupancy	—	(1,328)	(758)	697	(1,389)
Gross Profit	—	694	118	(27)	785
General, Administrative and Store Operating Expenses	(1)	(545)	(79)	26	(599)
Operating Income (Loss)	(1)	149	39	(1)	186
Interest Expense	(64)	(6)	(3)	9	(64)
Other Income (Expense)	—	5	(1)	(4)	—
Income (Loss) Before Income Taxes	(65)	148	35	4	122
Provision (Benefit) for Income Taxes	—	37	(9)	—	28
Equity in Earnings (Loss), Net of Tax	159	(62)	4	(101)	—
Net Income (Loss)	<u>\$ 94</u>	<u>\$ 49</u>	<u>\$ 48</u>	<u>\$ (97)</u>	<u>\$ 94</u>

LIMITED BRANDS, INC.
CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME
(in millions)
(Unaudited)

	Third Quarter 2011				
	Limited Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated Limited Brands, Inc.
Net Income	\$ 94	\$ 49	\$ 48	\$ (97)	\$ 94
Other Comprehensive Income (Loss), Net of Tax:					
Reclassification of Cash Flow Hedges to Earnings	1	—	(18)	—	(17)
Foreign Currency Translation	—	—	2	—	2
Unrealized Gain (Loss) on Cash Flow Hedges	—	—	17	—	17
Total Other Comprehensive Income (Loss), Net of Tax	1	—	1	—	2
Total Comprehensive Income	<u>\$ 95</u>	<u>\$ 49</u>	<u>\$ 49</u>	<u>\$ (97)</u>	<u>\$ 96</u>

LIMITED BRANDS, INC.
CONDENSED CONSOLIDATING STATEMENTS OF INCOME
(in millions)
(Unaudited)

	Year-to-Date 2012				
	Limited Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated Limited Brands, Inc.
Net Sales	\$ —	\$ 6,056	\$ 1,997	\$ (1,450)	\$ 6,603
Costs of Goods Sold, Buying and Occupancy	—	(3,639)	(1,681)	1,386	(3,934)
Gross Profit	—	2,417	316	(64)	2,669
General, Administrative and Store Operating Expenses	(4)	(1,672)	(273)	65	(1,884)
Operating Income (Loss)	(4)	745	43	1	785
Interest Expense	(234)	(14)	(7)	21	(234)
Other Income (Expense)	161	(152)	18	(8)	19
Income (Loss) Before Income Taxes	(77)	579	54	14	570
Provision (Benefit) for Income Taxes	—	140	88	—	228
Equity in Earnings (Loss), Net of Tax	419	84	173	(676)	—
Net Income (Loss)	<u>\$ 342</u>	<u>\$ 523</u>	<u>\$ 139</u>	<u>\$ (662)</u>	<u>\$ 342</u>

LIMITED BRANDS, INC.
CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME
(in millions)
(Unaudited)

	Year-to-Date 2012				
	Limited Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated Limited Brands, Inc.
Net Income	\$ 342	\$ 523	\$ 139	\$ (662)	\$ 342
Other Comprehensive Income (Loss), Net of Tax:					
Reclassification of Cash Flow Hedges to Earnings	2	—	3	—	5
Foreign Currency Translation	—	—	1	—	1
Unrealized Gain (Loss) on Cash Flow Hedges	—	—	1	—	1
Total Other Comprehensive Income (Loss), Net of Tax	2	—	5	—	7
Total Comprehensive Income	<u>\$ 344</u>	<u>\$ 523</u>	<u>\$ 144</u>	<u>\$ (662)</u>	<u>\$ 349</u>

LIMITED BRANDS, INC.
CONDENSED CONSOLIDATING STATEMENTS OF INCOME
(in millions)
(Unaudited)

	Year-to-Date 2011				
	Limited Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated Limited Brands, Inc.
Net Sales	\$ —	\$ 6,337	\$ 2,443	\$ (1,931)	\$ 6,849
Costs of Goods Sold, Buying and Occupancy	—	(4,058)	(2,108)	1,847	(4,319)
Gross Profit	—	2,279	335	(84)	2,530
General, Administrative and Store Operating Expenses	(5)	(1,610)	(405)	87	(1,933)
Operating Income (Loss)	(5)	669	(70)	3	597
Interest Expense	(183)	(15)	(9)	24	(183)
Other Income (Expense)	—	12	231	(10)	233
Income (Loss) Before Income Taxes	(188)	666	152	17	647
Provision (Benefit) for Income Taxes	—	119	37	—	156
Equity in Earnings (Loss), Net of Tax	679	346	153	(1,178)	—
Net Income (Loss)	<u>\$ 491</u>	<u>\$ 893</u>	<u>\$ 268</u>	<u>\$ (1,161)</u>	<u>\$ 491</u>

LIMITED BRANDS, INC.
CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME
(in millions)
(Unaudited)

	Year-to-Date 2011				
	Limited Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated Limited Brands, Inc.
Net Income	\$ 491	\$ 893	\$ 268	\$ (1,161)	\$ 491
Other Comprehensive Income (Loss), Net of Tax:					
Reclassification of Cash Flow Hedges to Earnings	3	—	4	—	7
Foreign Currency Translation	—	—	1	—	1
Unrealized Gain (Loss) on Cash Flow Hedges	—	—	(9)	—	(9)
Total Other Comprehensive Income (Loss), Net of Tax	3	—	(4)	—	(1)
Total Comprehensive Income	<u>\$ 494</u>	<u>\$ 893</u>	<u>\$ 264</u>	<u>\$ (1,161)</u>	<u>\$ 490</u>

LIMITED BRANDS, INC.
CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
(in millions)
(Unaudited)

	Year-to-Date 2012				
	Limited Brands, Inc.	Guarantor Subsidiaries	Non- guarantor Subsidiaries	Eliminations	Consolidated Limited Brands, Inc.
Net Cash Provided by (Used for) Operating Activities	\$ (121)	\$ 55	\$ 141	\$ —	\$ 75
Investing Activities:					
Capital Expenditures	—	(311)	(180)	—	(491)
Proceeds from Sale of Assets	—	9	—	—	9
Other Investing Activities	—	8	3	—	11
Net Cash Provided by (Used for) Investing Activities	—	(294)	(177)	—	(471)
Financing Activities:					
Proceeds from Long-term Debt, Net of Issuance Costs	985	—	—	—	985
Repurchase of Common Stock	(616)	—	—	—	(616)
Dividends Paid	(507)	—	—	—	(507)
Excess Tax Benefits from Share-based Compensation	—	83	20	—	103
Net Financing Activities and Advances to/from Consolidated Affiliates	217	11	(228)	—	—
Proceeds from Exercise of Stock Options and Other	42	—	—	—	42
Net Cash Provided by (Used for) Financing Activities	121	94	(208)	—	7
Effects of Exchange Rate Changes on Cash and Cash Equivalents	—	—	1	—	1
Net Increase (Decrease) in Cash and Cash Equivalents	—	(145)	(243)	—	(388)
Cash and Cash Equivalents, Beginning of Period	—	371	564	—	935
Cash and Cash Equivalents, End of Period	\$ —	\$ 226	\$ 321	\$ —	\$ 547

LIMITED BRANDS, INC.
CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
(in millions)
(Unaudited)

	Year-to-Date 2011				
	Limited Brands, Inc.	Guarantor Subsidiaries	Non- guarantor Subsidiaries	Eliminations	Consolidated Limited Brands, Inc.
Net Cash Provided by (Used for) Operating Activities	\$ (159)	\$ 35	\$ 218	\$ —	\$ 94
Investing Activities:					
Capital Expenditures	—	(174)	(164)	—	(338)
Proceeds from Sale of Express Common Stock	—	—	99	—	99
Net Investments in Consolidated Affiliates	—	—	(62)	62	—
Net Cash Provided by (Used for) Investing Activities	—	(174)	(127)	62	(239)
Financing Activities:					
Proceeds from Long-term Debt, Net of Issuance Costs	981	—	—	—	981
Financing Costs	(7)	—	—	—	(7)
Repurchase of Common Stock	(1,073)	—	—	—	(1,073)
Dividends Paid	(491)	—	—	—	(491)
Excess Tax Benefits from Share-based Compensation	—	32	8	—	40
Net Financing Activities and Advances to/from Consolidated Affiliates	688	(505)	(121)	(62)	—
Proceeds from Exercise of Stock Options and Other	61	—	—	—	61
Net Cash Provided by (Used for) Financing Activities	159	(473)	(113)	(62)	(489)
Effects of Exchange Rate Changes on Cash and Cash Equivalents	—	—	2	—	2
Net Increase (Decrease) in Cash and Cash Equivalents	—	(612)	(20)	—	(632)
Cash and Cash Equivalents, Beginning of Period	—	701	429	—	1,130
Cash and Cash Equivalents, End of Period	\$ —	\$ 89	\$ 409	\$ —	\$ 498

Report of Independent Registered Public Accounting Firm

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

We have reviewed the consolidated balance sheets of Limited Brands, Inc. and subsidiaries (the “Company”) as of October 27, 2012 and October 29, 2011, and the related consolidated statements of income and comprehensive income for the thirteen and thirty-nine week periods ended October 27, 2012 and October 29, 2011, and the consolidated statements of cash flows for the thirty-nine week periods ended October 27, 2012 and October 29, 2011. These financial statements are the responsibility of the Company’s management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated interim financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Limited Brands, Inc. and subsidiaries as of January 28, 2012, and the related consolidated statements of income, comprehensive income, total equity, and cash flows for the year then ended (not presented herein), and in our report dated March 23, 2012, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of January 28, 2012, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Ernst & Young LLP

Columbus, Ohio
November 30, 2012

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

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

Limited Brands, Inc. cautions any forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) contained in this report or made by our company or our management involve risks and uncertainties and are subject to change based on various factors, many of which are beyond our control. Accordingly, our future performance and financial results may differ materially from those expressed or implied in any such forward-looking statements. Words such as “estimate,” “project,” “plan,” “believe,” “expect,” “anticipate,” “intend,” “planned,” “potential” and any 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, consumer spending patterns and market disruptions including severe weather conditions, natural disasters, health hazards, terrorist activities, financial crises, political crises or other major events, or the prospect of these events;
- the seasonality of our business;
- the dependence on a high volume of mall traffic and the possible lack of availability of suitable store locations on appropriate terms;
- our ability to grow through new store openings and existing store remodels and expansions;
- our ability to successfully expand into international markets and related risks;
- our independent licensees and franchisees;
- our direct channel business;
- our failure to protect our reputation and our brand images;
- our failure to protect our trade names, trademarks and patents;
- 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 and launch new product lines successfully;
- 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 exchange rates;
 - local business practices and political issues;
 - potential delays or disruptions in shipping and related pricing impacts;
 - the disruption of imports by labor disputes; and
 - changing expectations regarding product safety due to new legislation;
- stock price volatility;
- our failure to maintain our credit rating;
- our ability to service our debt;
- our ability to retain key personnel;
- our ability to attract, develop and retain qualified employees and manage labor costs;
- the inability of our manufacturers to deliver products in a timely manner and meet quality standards;
- fluctuations in product input costs;
- fluctuations in energy costs;
- increases in the costs of mailing, paper and printing;
- claims arising from our self-insurance;
- our ability to implement and maintain information technology systems;
- our failure to comply with regulatory requirements;
- tax matters; and
- legal and compliance matters.

We are not under any obligation and do not intend to make publicly available any update or other revisions to any of the forward-looking statements contained in this report to reflect circumstances existing after the date of this report or to reflect the occurrence of future events even if experience or future events make it clear that any expected results expressed or implied by those forward-looking statements will not be realized. Additional information regarding these and other factors can be found in “Item 1A. Risk Factors” in our 2011 Annual Report on Form 10-K.

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

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 ("GAAP"). The following information should be read in conjunction with our financial statements and the related notes included in Item 1. Financial Statements.

Executive Overview

We had strong performance in the third quarter of 2012. Our operating income increased \$1 million to \$187 million and our operating income rate improved to 9.1% from 8.6%. Our third quarter 2012 operating income included \$10 million of expense associated with the store closure initiative at La Senza. Comparable store sales increased 5%, and net sales were \$2.050 billion compared to \$2.174 billion last year. Third quarter 2011 sales included \$259 million attributable to the third-party apparel sourcing business which was sold in November 2011. At Victoria's Secret, sales increased 5% and operating income increased 5%. At Bath & Body Works, sales increased 7% and operating income increased 42%. For additional information related to our third quarter 2012 financial performance, see "Results of Operations."

The global retail sector and our business continue to face an uncertain environment and, as a result, we continue to take a conservative stance with respect to the financial management of our business. We will continue to manage our business carefully, and we will focus on the execution of the retail fundamentals.

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

Store Data

The following table compares the third quarter of 2012 store data to the third quarter of 2011 and the year-to-date 2012 store data to year-to-date 2011:

	Third Quarter			Year-to-date		
	2012	2011	% Change	2012	2011	% Change
<u>Sales per Average Selling Square Foot</u>						
Victoria's Secret Stores (a)	\$ 166	\$ 156	6 %	\$ 537	\$ 495	8%
Bath & Body Works (a)	133	124	7 %	408	380	7%
La Senza (b)	101	90	12 %	300	277	8%
<u>Sales per Average Store (in thousands)</u>						
Victoria's Secret Stores (a)	\$ 992	\$ 925	7 %	\$ 3,208	\$ 2,926	10%
Bath & Body Works (a)	315	294	7 %	966	900	7%
La Senza (b)	334	298	12 %	995	923	8%
<u>Average Store Size (selling square feet)</u>						
Victoria's Secret Stores (a)	6,012	5,934	1 %			
Bath & Body Works (a)	2,363	2,372	— %			
La Senza	3,327	3,319	— %			
<u>Total Selling Square Feet (in thousands)</u>						
Victoria's Secret Stores (a)	6,132	6,035	2 %			
Bath & Body Works (a)	3,734	3,784	(1)%			
La Senza (c)	549	826	(34)%			

- (a) Metric relates to company-owned stores in the U.S.
- (b) Metric is presented in Canadian dollars to eliminate the impact of foreign currency fluctuations.
- (c) During the fourth quarter of 2011, we initiated a restructuring program designed to resize a portion of La Senza's store fleet. Under this program, we closed 38 underperforming stores. Of these stores, 12 were closed as of January 28, 2012. The remainder were closed during the first quarter of 2012. During the second quarter of 2012, we initiated a second restructuring program to close an additional 41 underperforming stores. Of these stores, 34 were closed as of October 27, 2012 with the remainder expected to close by the end of the first quarter of 2013. For additional information, see Note 4 to the Consolidated Financial Statements included in Item 1. Financial Statements.

The following table compares third quarter of 2012 store data to the third quarter of 2011 and year-to-date 2012 store data to the year-to-date 2011:

Number of Stores (a)	Third Quarter		Year-to-Date	
	2012	2011	2012	2011
Victoria's Secret U.S.				
Beginning of Period	1,015	1,018	1,017	1,028
Opened	8	1	20	2
Closed	(3)	(2)	(17)	(13)
End of Period	<u>1,020</u>	<u>1,017</u>	<u>1,020</u>	<u>1,017</u>
Bath & Body Works U.S.				
Beginning of Period	1,581	1,596	1,587	1,606
Opened	—	2	3	3
Closed	(1)	(3)	(10)	(14)
End of Period	<u>1,580</u>	<u>1,595</u>	<u>1,580</u>	<u>1,595</u>
La Senza				
Beginning of Period	197	249	230	252
Opened	—	—	—	—
Closed (b)	(32)	—	(65)	(3)
End of Period	<u>165</u>	<u>249</u>	<u>165</u>	<u>249</u>
Bath & Body Works Canada				
Beginning of Period	69	62	69	59
Opened	1	3	2	6
Closed	—	—	(1)	—
End of Period	<u>70</u>	<u>65</u>	<u>70</u>	<u>65</u>
Victoria's Secret Canada				
Beginning of Period	20	14	19	12
Opened	4	4	5	6
Closed	—	(1)	—	(1)
End of Period	<u>24</u>	<u>17</u>	<u>24</u>	<u>17</u>
Henri Bendel				
Beginning of Period	23	12	19	11
Opened	3	4	7	5
Closed	—	—	—	—
End of Period	<u>26</u>	<u>16</u>	<u>26</u>	<u>16</u>
Victoria's Secret UK				
Beginning of Period	1	—	—	—
Opened	1	—	2	—
Closed	—	—	—	—
End of Period	<u>2</u>	<u>—</u>	<u>2</u>	<u>—</u>
Total				
Beginning of Period	2,906	2,951	2,941	2,968
Opened	17	14	39	22
Closed	(36)	(6)	(93)	(31)
End of Period	<u>2,887</u>	<u>2,959</u>	<u>2,887</u>	<u>2,959</u>

- (a) Number of stores excludes independently owned La Senza, Bath & Body Works and Victoria's Secret stores operated by licensees and franchisees.
- (b) During the fourth quarter of 2011, we initiated a restructuring program designed to resize a portion of La Senza's store fleet. Under this program, we closed 38 underperforming stores. Of these stores, 12 were closed as of January 28, 2012. The remainder were closed during the first quarter of 2012. During the second quarter of 2012, we initiated a second restructuring program to close an additional 41 underperforming stores. Of these stores, 34 were closed as of October 27, 2012 with the remainder expected to close by the end of the first quarter of 2013. For additional information, see Note 4 to the Consolidated Financial Statements included in Item 1. Financial Statements.

Segment Reporting Change

In the fourth quarter of 2011, we ceased aggregating La Senza with Victoria's Secret. While this reporting change did not impact our consolidated results, segment data for previous years has been recast to be consistent with the current year presentation throughout.

Results of Operations

Third Quarter of 2012 Compared to Third Quarter of 2011

Operating Income

The following table provides our segment operating income (loss) and operating income rates (expressed as a percentage of net sales) for the third quarter of 2012 in comparison to the third quarter of 2011:

<u>Third Quarter</u>			<u>Operating Income Rate</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	(in millions)			
Victoria's Secret	\$ 158	\$ 150	12.3 %	12.3 %
Bath & Body Works	58	41	10.7 %	8.1 %
Other (a) (b)	(29)	(5)	(12.4)%	(1.1)%
Total Operating Income	<u>\$ 187</u>	<u>\$ 186</u>	9.1 %	8.6 %

- (a) Includes Corporate, Mast Global, Henri Bendel and our international operations including La Senza. In the fourth quarter of 2011, we divested 51% of our third-party apparel sourcing business. As such, results of this business are included in the third quarter of 2011 but not the third quarter of 2012. For additional information, see Note 8 to the Consolidated Financial Statements included in Item 1. Financial Statements.
- (b) 2012 includes \$10 million of expense associated with the store closure initiative at La Senza. For additional information, see Note 4 to the Consolidated Financial Statements included in Item 1. Financial Statements.

For the third quarter of 2012, operating income increased \$1 million to \$187 million and the operating income rate increased to 9.1% from 8.6%. The drivers of the operating income results are discussed in the following sections.

Net Sales

The following table provides net sales for the third quarter of 2012 in comparison to the third quarter of 2011:

<u>Third Quarter</u>	<u>2012</u>	<u>2011</u>	<u>% Change</u>
	(in millions)		
Victoria's Secret Stores	\$ 1,009	\$ 941	7 %
Victoria's Secret Direct	271	277	(2)%
Total Victoria's Secret	1,280	1,218	5 %
Bath & Body Works	538	504	7 %
Other (a)	232	452	(49)%
Total Net Sales	<u>\$ 2,050</u>	<u>\$ 2,174</u>	(6)%

- (a) Includes Corporate, Mast Global, Henri Bendel and our international operations including La Senza. In the fourth quarter of 2011, we divested 51% of our third-party apparel sourcing business. Third quarter 2011 sales included \$259 million attributable to the third-party apparel sourcing business. For additional information, see Note 8 to the Consolidated Financial Statements included in Item 1. Financial Statements.

The following table provides a reconciliation of net sales for the third quarter of 2012 to the third quarter of 2011:

<u>Third Quarter</u>	<u>Victoria's Secret</u>	<u>Bath & Body Works</u>	<u>Other</u>	<u>Total</u>
	(in millions)			
2011 Net Sales	\$ 1,218	\$ 504	\$ 452	\$ 2,174
Comparable Store Sales	52	23	(2)	73
Sales Associated with New, Closed, and Non-comparable Remodeled Stores, Net	16	5	24	45
Foreign Currency Translation	—	—	2	2
Direct Channels	(6)	6	—	—
Mast Global and Other	—	—	15	15
Divestiture of Third-party Apparel Sourcing Business	—	—	(259)	(259)
2012 Net Sales	<u>\$ 1,280</u>	<u>\$ 538</u>	<u>\$ 232</u>	<u>\$ 2,050</u>

The following table compares the third quarter of 2012 comparable store sales to the third quarter of 2011:

<u>Third Quarter</u>	<u>2012</u>	<u>2011</u>
Victoria's Secret Stores	6%	13%
Bath & Body Works	5%	9%
Total Comparable Store Sales (a)	5%	9%

(a) Includes La Senza, Bath & Body Works Canada, Victoria's Secret Canada and Henri Bendel.

For the third quarter of 2012, our net sales decreased \$124 million to \$2.050 billion and comparable store sales increased 5%. Third quarter 2011 sales included \$259 million attributable to the third-party apparel sourcing business which was sold in November 2011. The change in our net sales was driven by the following:

Victoria's Secret

For the third quarter of 2012, net sales increased \$62 million to \$1.280 billion and comparable store sales increased 6%. The increase in net sales was primarily driven by the following:

- At Victoria's Secret Stores, net sales increased across most categories including Pink and swimwear, driven by a compelling merchandise assortment that incorporated newness, innovation and fashion as well as in-store execution.
- At Victoria's Secret Direct, net sales decreased 2% related to a decrease in apparel partially offset by increases in Pink, core lingerie and sleepwear.

The increase in comparable store sales was primarily driven by higher average dollar sales and an increase in total transactions at Victoria's Secret Stores.

Bath & Body Works

For the third quarter of 2012, net sales increased \$34 million to \$538 million and comparable store sales increased 5%. From a merchandise category perspective, net sales were driven by growth in the Signature Collection, home fragrance and antibacterial categories which all incorporated newness and innovation. The increase in comparable store sales was driven primarily by an increase in average dollar sales.

Other

For the third quarter of 2012, net sales decreased \$220 million to \$232 million primarily related to the divestiture of the third-party sourcing business in the fourth quarter of 2011 and a decrease in sales at La Senza due to store closures. This decrease was partially offset by growth in Victoria's Secret and Bath & Body Works sales in Canada, Victoria's Secret sales in the UK and Henri Bendel sales.

Gross Profit

For the third quarter of 2012, our gross profit increased \$40 million to \$825 million and our gross profit rate (expressed as a percentage of net sales) increased to 40.2% from 36.1%, primarily driven by the following:

Victoria's Secret

For the third quarter of 2012, the gross profit increase was primarily driven by the following:

- At Victoria's Secret Stores, gross profit increased due to higher merchandise margin dollars as a result of the increase in net sales. The increase in merchandise margin dollars was partially offset by higher buying and occupancy expenses due to an increase in occupancy expense driven by higher net sales and store related activity.
- At Victoria's Secret Direct, gross profit decreased primarily due to lower merchandise margin dollars as a result of the decrease in net sales and higher buying and occupancy expenses driven by higher website expenses.

The gross profit rate increase was driven by an increase in the merchandise margin rate due to decreased promotional activities and favorable input costs at Pink.

Bath & Body Works

For the third quarter of 2012, the gross profit increase was driven by higher merchandise margin dollars related to the increase in net sales. The increase in merchandise margin dollars was partially offset by an increase in buying and occupancy expenses driven by higher occupancy costs related to the increase in net sales and store related activity. The gross profit rate increase was driven primarily by a decrease in the buying and occupancy expense rate due to leverage associated with higher sales and an increase in the merchandise margin rate due to less promotional activities.

Other

For the third quarter of 2012, the gross profit decrease was primarily driven by the divestiture of the third-party apparel sourcing business, lower merchandise margin dollars related to net sales decreases at La Senza and \$10 million in store closure restructuring charges related to our La Senza business. The decrease was partially offset by higher merchandise margin dollars related to net sales increases in our Canadian Victoria's Secret and Bath & Body Works stores and Victoria's Secret UK stores. The gross profit rate increased significantly primarily driven by the divestiture of the third-party apparel sourcing business in the fourth quarter of 2011 which removed lower margin sales.

General, Administrative and Store Operating Expenses

For the third quarter of 2012, our general, administrative and store operating expenses increased \$39 million to \$638 million primarily driven by:

- An increase in store selling expenses related to higher sales and other investments to improve the customer experience, including investments in training and technology; and
- An increase in expenses resulting from increased international expansion.

The general, administrative and store operating expense rate increased to 31.1% from 27.6% primarily due to the factors mentioned above and the divestiture of the third-party apparel sourcing business in the fourth quarter of 2011.

Other Income and Expense

Interest Expense

The following table provides the average daily borrowings and average borrowing rates for the third quarter of 2012 and 2011:

<u>Third Quarter</u>	<u>2012</u>	<u>2011</u>
Average daily borrowings (in millions)	\$ 4,520	\$ 3,520
Average borrowing rate (in percentages)	6.83%	7.18%

For the third quarter of 2012, our interest expense increased \$13 million to \$77 million primarily driven by an increase in average borrowings related to the February 2012 \$1 billion note issuance partially offset by a decrease in the average borrowing rate.

Other Income

For the third quarter of 2012, our other income increased \$18 million to \$18 million primarily driven by the \$13 million gain related to \$13 million in cash distributions from certain of our investments in Easton in the third quarter of 2012 and equity method income from our investment in the third-party apparel sourcing business.

Provision for Income Taxes

For the third quarter of 2012, our effective tax rate was 42.4% as compared to 22.6% in the third quarter of 2011. The 2012 rate was higher than our combined estimated federal and state rate of 39.0% primarily due to losses related to certain foreign subsidiaries. The 2011 rate was lower than our combined estimated federal and state rate primarily due to income tax benefits associated with the resolution of certain tax matters.

Results of Operations

Year-to-Date 2012 Compared to Year-to-Date 2011

Operating Income

The following table provides our segment operating income (loss) and operating income rates (expressed as a percentage of net sales) for year-to-date 2012 in comparison to year-to-date 2011:

<u>Year-to-Date</u>	<u>(in millions)</u>		<u>Operating Income Rate</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Victoria's Secret	\$ 692	\$ 634	16.0 %	15.7 %
Bath & Body Works	206	165	12.5 %	10.7 %
Other (a) (b) (c)	(113)	(202)	(18.0)%	(15.9)%
Total Operating Income	<u>\$ 785</u>	<u>\$ 597</u>	11.9 %	8.7 %

- (a) Includes Corporate, Mast Global, Henri Bendel and our international operations including La Senza. In the fourth quarter of 2011, we divested 51% of our third-party apparel sourcing business. As such, results of this business are included in 2011 but not 2012. For additional information, see Note 8 to the Consolidated Financial Statements included in Item 1. Financial Statements.
- (b) 2011 includes \$163 million of expense associated with the charitable contribution of all of our remaining shares of Express to The Limited Brands Foundation. For additional information, see Note 8 to the Consolidated Financial Statements included in Item 1. Financial Statements.
- (c) 2012 includes \$14 million of expense associated with the store closure initiative at La Senza. For additional information, see Note 4 to the Consolidated Financial Statements included in Item 1. Financial Statements.

For year-to-date 2012, operating income increased \$188 million to \$785 million and the operating income rate increased to 11.9% from 8.7%. The drivers of the operating income results are discussed in the following sections.

Net Sales

The following table provides net sales for year-to-date 2012 in comparison to year-to-date 2011:

<u>Year-to-Date</u>	<u>2012</u>	<u>2011</u>	<u>% Change</u>
	(in millions)		
Victoria's Secret Stores	\$ 3,267	\$ 2,992	9 %
Victoria's Secret Direct	1,060	1,039	2 %
Total Victoria's Secret	4,327	4,031	7 %
Bath & Body Works	1,652	1,547	7 %
Other (a)	624	1,271	(51)%
Total Net Sales	<u>\$ 6,603</u>	<u>\$ 6,849</u>	(4)%

(a) Includes Corporate, Mast Global, Henri Bendel and our international operations including La Senza. In the fourth quarter of 2011, we divested 51% of our third-party apparel sourcing business. Year-to-date 2011 sales included \$689 million attributable to the third-party apparel sourcing business. For additional information, see Note 8 to the Consolidated Financial Statements included in Item 1. Financial Statements.

The following table provides a reconciliation of net sales for year-to-date 2012 to year-to-date 2011:

<u>Year-to-Date</u>	<u>Victoria's Secret</u>	<u>Bath & Body Works</u>	<u>Other</u>	<u>Total</u>
	(in millions)			
2011 Net Sales	\$ 4,031	\$ 1,547	\$ 1,271	\$ 6,849
Comparable Store Sales	238	84	(9)	313
Sales Associated with New, Closed, and Non-comparable Remodeled Stores, Net	37	4	39	80
Foreign Currency Translation	—	—	(8)	(8)
Direct Channels	21	17	—	38
Mast Global and Other	—	—	20	20
Divestiture of Third-party Apparel Sourcing Business	—	—	(689)	(689)
2012 Net Sales	<u>\$ 4,327</u>	<u>\$ 1,652</u>	<u>\$ 624</u>	<u>\$ 6,603</u>

The following table compares year-to-date 2012 comparable store sales to year-to-date 2011:

<u>Year-to-Date</u>	<u>2012</u>	<u>2011</u>
Victoria's Secret Stores	9%	15%
Bath & Body Works	6%	8%
Total Comparable Store Sales (a)	7%	11%

(a) Includes La Senza, Bath & Body Works Canada, Victoria's Secret Canada and Henri Bendel.

For year-to-date 2012, our net sales decreased \$246 million to \$6.603 billion and comparable store sales increased 7%. Year-to-date 2011 sales included \$689 million attributable to the third-party apparel sourcing business which was sold in November 2011. The change in our net sales was driven by the following:

Victoria's Secret

For year-to-date 2012, net sales increased \$296 million to \$4.327 billion and comparable store sales increased 9%. The increase in net sales was primarily driven by the following:

- At Victoria's Secret Stores, net sales increased across most categories including Pink, core lingerie, swimwear and beauty, driven by a compelling merchandise assortment that incorporated newness, innovation and fashion as well as in-store execution.
- At Victoria's Secret Direct, net sales increased 2% related to increases in Pink, core lingerie, swimwear, sleepwear and beauty partially offset by a decrease in apparel.

The increase in comparable store sales was primarily driven by an increase in total transactions and higher average dollar sales at Victoria's Secret Stores.

Bath & Body Works

For year-to-date 2012, net sales increased \$105 million to \$1.652 billion and comparable store sales increased 6%. From a merchandise category perspective, net sales were driven by growth in the Signature Collection, home fragrance and antibacterial categories which all incorporated newness and innovation. The increase in comparable store sales was driven by higher average dollar sales.

Other

For year-to-date 2012, net sales decreased \$647 million to \$624 million primarily related to the divestiture of the third-party sourcing business in the fourth quarter of 2011 and a decrease in sales at La Senza due to store closures. This decrease was partially offset by growth in Victoria's Secret and Bath & Body Works sales in Canada, Victoria's Secret sales in the UK, and Henri Bendel sales.

Gross Profit

For year-to-date 2012, our gross profit increased \$139 million to \$2.669 billion and our gross profit rate (expressed as a percentage of net sales) increased to 40.4% from 36.9%, primarily driven by the following:

Victoria's Secret

For year-to-date 2012, the gross profit increase was primarily driven by the following:

- At Victoria's Secret Stores, gross profit increased due to higher merchandise margin dollars as a result of the increase in net sales. The increase in merchandise margin dollars was partially offset by higher buying and occupancy expenses due to an increase in occupancy expense driven by higher net sales and store related activity.
- At Victoria's Secret Direct, gross profit decreased primarily due to higher buying and occupancy expenses driven by higher website expenses partially offset by higher merchandise margin dollars as a result of the increase in net sales.

The gross profit rate was roughly flat driven by a decrease in the merchandise margin rate due to increased promotional activity partially offset by a decrease in the buying and occupancy expense rate due to leverage associated with higher sales.

Bath & Body Works

For year-to-date 2012, the gross profit increase was driven by higher merchandise margin dollars related to the increase in net sales. The increase in merchandise margin dollars was partially offset by an increase in buying and occupancy expenses driven by higher occupancy costs related to the increase in net sales and store related activity. The gross profit rate increase was driven primarily by a decrease in the buying and occupancy expense rate due to leverage associated with higher sales.

Other

For year-to-date 2012, the gross profit decrease was primarily driven by the divestiture of the third-party apparel sourcing business, lower merchandise margin dollars related to net sales decreases at La Senza and \$13 million in store closure restructuring charges related to our La Senza business. The decrease was partially offset by higher merchandise margin dollars related to net sales increases in our Canadian Victoria's Secret and Bath & Body Works stores, Victoria's Secret UK stores and Henri Bendel stores and higher merchandise margin dollars at Mast Global related to net sales increases to our internal brands. The gross profit rate increased significantly primarily driven by the divestiture of the third-party apparel sourcing business in the fourth quarter of 2011 which removed lower margin sales.

General, Administrative and Store Operating Expenses

For year-to-date 2012, our general, administrative and store operating expenses decreased \$49 million to \$1.884 billion primarily driven by \$163 million of expense associated with the charitable contribution to The Limited Brands Foundation in 2011. This decrease was partially offset by:

- An increase in store selling expenses related to higher sales and other investments to improve the customer experience, including investments in training and technology;
- An increase in expenses resulting from increased international expansion;
- An increase in severance expense; and
- \$1 million in store closure restructuring charges related to our La Senza business.

The general, administrative and store operating expense rate increased to 28.5% from 28.2% primarily due to the factors mentioned above and by the divestiture of the third-party apparel sourcing business in the fourth quarter of 2011.

Other Income and Expense

Interest Expense

The following table provides the average daily borrowings and average borrowing rates for year-to-date 2012 and 2011:

<u>Year-to-Date</u>	<u>2012</u>	<u>2011</u>
Average daily borrowings (in millions)	\$ 4,520	\$ 3,312
Average borrowing rate (in percentages)	6.84%	7.28%

For year-to-date 2012, our interest expense increased \$51 million to \$234 million driven by an increase in average borrowings related to the February 2012 \$1 billion note issuance partially offset by a decrease in the average borrowing rate.

Other Income

For year-to-date 2012, our other income decreased \$214 million to \$19 million primarily driven by an \$147 million gain related to the charitable contribution of our remaining shares of Express to The Limited Brands Foundation in the second quarter of 2011 and an \$86 million gain related to the sale of a portion of our shares of Express, Inc. common stock in the first quarter of 2011. This decrease was partially offset by the \$13 million gain related to \$13 million in cash distributions from certain of our investments in Easton in the third quarter of 2012 and equity method income from our investment in the third-party apparel sourcing business.

Provision for Income Taxes

For year-to-date 2012, our effective tax rate was 40.1% as compared to 24.1% in 2011. The 2012 rate was higher than our combined estimated federal and state rate of 39.0% primarily due to losses related to certain foreign subsidiaries. The 2011 rate was lower than our combined estimated federal and state rate primarily due to tax benefits associated with the charitable contribution of Express shares to The Limited Brands Foundation as well as the resolution of certain tax matters.

FINANCIAL CONDITION

Liquidity and Capital Resources

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

Our total cash and cash equivalents held by foreign subsidiaries were \$317 million as of October 27, 2012. Under current tax laws and regulations, if cash and cash equivalents held outside the U.S. are repatriated to the U.S., in certain circumstances we may be subject to additional U.S. income taxes and foreign withholding taxes.

The following table provides our long-term debt balance as of October 27, 2012, January 28, 2012 and October 29, 2011:

	October 27, 2012	January 28, 2012	October 29, 2011
	(in millions)		
Senior Unsecured Debt with Subsidiary Guarantee			
\$1 billion, 5.625% Fixed Interest Rate Notes due February 2022 (“2022 Notes”)	\$ 1,000	\$ —	\$ —
\$1 billion, 6.625% Fixed Interest Rate Notes due April 2021 (“2021 Notes”)	1,000	1,000	1,000
\$500 million, 8.50% Fixed Interest Rate Notes due June 2019, Less Unamortized Discount (“2019 Notes”)	489	488	487
\$400 million, 7.00% Fixed Interest Rate Notes due May 2020 (“2020 Notes”)	400	400	400
Total Senior Unsecured Debt with Subsidiary Guarantee	\$ 2,889	\$ 1,888	\$ 1,887
Senior Unsecured Debt			
\$700 million, 6.90% Fixed Interest Rate Notes due July 2017, Less Unamortized Discount (“2017 Notes”)(a)	\$ 722	\$ 724	\$ 721
\$350 million, 6.95% Fixed Interest Rate Debentures due March 2033, Less Unamortized Discount (“2033 Notes”)	350	350	350
\$300 million, 7.60% Fixed Interest Rate Notes due July 2037, Less Unamortized Discount (“2037 Notes”)	299	299	299
5.25% Fixed Interest Rate Notes due November 2014, Less Unamortized Discount (“2014 Notes”)(b)	218	220	221
6.125% Fixed Interest Rate Notes due December 2012, Less Unamortized Discount (“2012 Notes”)(c)	57	57	58
Total Senior Unsecured Debt	\$ 1,646	\$ 1,650	\$ 1,649
Total	\$ 4,535	\$ 3,538	\$ 3,536
Current Portion of Long-term Debt	(57)	(57)	—
Total Long-term Debt	\$ 4,478	\$ 3,481	\$ 3,536

- (a) The balances include a fair value interest rate hedge adjustment which increased the debt balance by \$23 million as of October 27, 2012, \$25 million as of January 28, 2012 and \$22 million as of October 29, 2011.
- (b) The principal balance outstanding was \$213 million as of October 27, 2012, January 28, 2012 and October 29, 2011. The balances include a fair value interest rate hedge adjustment which increased the debt balance by \$5 million as of October 27, 2012, \$7 million as of January 28, 2012 and \$8 million as of October 29, 2011.
- (c) The principal balance outstanding was \$57 million as of October 27, 2012, January 28, 2012 and October 29, 2011. The October 29, 2011 balance includes a fair value interest rate hedge adjustment which increased the debt balance by \$1 million.

Issuance of Notes

In February 2012, we issued \$1 billion of 5.625% notes due in February 2022 utilizing an existing shelf registration under which debt securities, common and preferred stock and other securities can be issued. The 2022 Notes are jointly and severally guaranteed on a full and unconditional basis by the Guarantors. The proceeds from the issuance were \$985 million, which were net of issuance costs of \$15 million.

In March 2011, we issued \$1 billion of 6.625% notes due in April 2021 utilizing an existing shelf registration under which debt securities, common and preferred stock and other securities can be issued. The 2021 Notes are jointly and severally guaranteed on a full and unconditional basis by the Guarantors. The proceeds from the issuance were \$981 million, which were net of issuance costs of \$19 million.

Revolving Facility

On July 15, 2011, we entered into an amendment and restatement (“Amendment”) of our secured revolving credit facility (“Revolving Facility”). The Amendment increased the aggregate amount of the commitments of the lenders under the Revolving Facility from \$800 million to \$1 billion and extended the termination date from August 1, 2014 to July 15, 2016. In addition, the Amendment reduced fees payable under the Revolving Facility which are based on our long-term credit ratings. The fees related to committed and unutilized amounts per year were reduced from 0.50% to 0.325% per annum and the fees

related to outstanding letters of credit were reduced from 3.00% to 1.75% per annum. In addition, the interest rate on outstanding borrowings was reduced from the London Interbank Offered Rate (“LIBOR”) plus 3.00% to LIBOR plus 1.75%.

We incurred fees related to the Amendment of the Revolving Facility of \$7 million, which were capitalized and are being amortized over the remaining term of the Revolving Facility.

The Revolving Facility contains fixed charge coverage and debt to EBITDA financial covenants. We are required to maintain a fixed charge coverage ratio of not less than 1.75 to 1.00 and a consolidated debt to consolidated EBITDA ratio not exceeding 4.00 to 1.00 for the most recent four-quarter period. In addition, the Revolving Facility provides that investments outside of the Guarantors and restricted payments may be made, without limitation on amount, if (a) at the time of and after giving effect to such investment or restricted payment the ratio of consolidated debt to consolidated EBITDA for the most recent four-quarter period is less than 3.00 to 1.00 and (b) no default or event of default exists. As of October 27, 2012, we were in compliance with both of our financial covenants and the ratio of consolidated debt to consolidated EBITDA was less than 3.00 to 1.00.

As of October 27, 2012, there were no borrowings outstanding under the Revolving Facility.

Letters of Credit

The Revolving Facility supports our letter of credit program. We had \$20 million of outstanding letters of credit as of October 27, 2012 that reduces our remaining availability under our Revolving Facility.

Fair Value Interest Rate Swap Arrangements

We had interest rate swap arrangements related to the 2017 Notes with a notional amount of \$175 million as of January 28, 2012 and October 29, 2011. The interest rate swap arrangements effectively converted the fixed interest rate on the related debt to a variable interest rate based on LIBOR plus a fixed interest rate.

The swap arrangements were designated as fair value hedges. The changes in the fair value of the interest rate swaps had an equal and offsetting impact to the carrying value of the debt on the balance sheet. The differential to be paid or received on the interest rate swap arrangements was accrued and recognized as an adjustment to interest expense.

In August 2011, we terminated interest rate designated fair value hedges related to the 2014 Notes with a notional amount of \$213 million. In settlement of these hedges, we received \$9 million. In September 2011, we terminated interest rate designated fair value hedges related to the 2017 Notes with a notional amount of \$150 million. In settlement of these hedges, we received \$12 million. In June 2012, we terminated the remaining interest rate designated fair value hedges related to the 2017 Notes with a notional amount of \$175 million. In settlement of these hedges, we received \$14 million. The carrying values of the respective Notes include the settlement amounts received upon termination of the hedges. The settlement amounts are amortized as a reduction to interest expense through the maturity date of the respective Notes.

Working Capital and Capitalization

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

The following table provides a summary of our working capital position and capitalization as of October 27, 2012, January 28, 2012 and October 29, 2011:

	October 27, 2012	January 28, 2012	October 29, 2011
	(in millions)		
Cash Provided by Operating Activities (a)	\$ 75	\$ 1,266	\$ 94
Capital Expenditures (a)	491	426	338
Working Capital	973	842	1,112
Capitalization:			
Long-term Debt	4,478	3,481	3,536
Shareholders' Equity (Deficit)	(515)	137	520
Total Capitalization	3,963	3,618	4,056
Remaining Amounts Available Under Credit Agreements (b)	980	987	968

- (a) The January 28, 2012 amounts represent a twelve-month period and the October 27, 2012 and October 29, 2011 amounts represent nine-month periods.
- (b) Letters of credit issued reduce our remaining availability under the Revolving Facility. We have outstanding letters of credit that reduce our remaining availability under the Revolving Facility of \$20 million as of October 27, 2012, \$13 million as of January 28, 2012 and \$32 million as of October 29, 2011.

Credit Ratings

The following table provides our credit ratings as of October 27, 2012:

	Moody's	S&P	Fitch
Corporate	Ba1	BB+	BB+
Senior Unsecured Debt with Subsidiary Guarantee	Ba1	BB+	BB+
Senior Unsecured Debt	Ba2	BB-	BB
Outlook	Stable	Stable	Stable

Our borrowing costs under our Revolving Facility are linked to our credit ratings at S&P, Moody's and Fitch. If we receive an upgrade or downgrade to our corporate credit ratings by S&P, Moody's or Fitch, the borrowing costs could decrease or increase, respectively. The guarantees of our obligations under the Revolving Facility by certain of our 100% owned subsidiaries (such subsidiaries, the "Guarantors") and the security interests granted in our and the Guarantors' collateral securing such obligations are released if our credit ratings are higher than a certain level. Additionally, the restrictions imposed under the Revolving Facility on our ability to make investments and to make restricted payments cease to apply if our credit ratings are higher than certain levels. Credit rating downgrades by any of the agencies do not accelerate the repayment of any of our debt.

Common Stock Share Repurchases

Under the authority of our Board of Directors, we repurchased shares of our common stock under the following repurchase programs during year-to-date 2012 and 2011:

Repurchase Program	Amount Authorized (in millions)	Shares Repurchased		Amount Repurchased		Average Stock Price of Shares Repurchased within Program
		2012 (in thousands)	2011	2012 (in millions)	2011	
February 2012 (a)	\$ 500	9,816	NA	\$ 448	NA	\$ 45.60
November 2011	250	3,657	NA	164	NA	44.90
May 2011	500	NA	12,535	NA	\$ 468	37.30
March 2011	500	NA	13,695	NA	500	36.49
November 2010 (b)	200	NA	3,431	NA	109	31.65
Total		13,473	29,661	\$ 612	\$ 1,077	

- (a) The February 2012 repurchase program had \$52 million remaining as of October 27, 2012.
- (b) The November 2010 repurchase program had \$31 million remaining at the time it was cancelled in conjunction with the approval of the March 2011 repurchase program.
- NA Not applicable

There were no share repurchases reflected in Accounts Payable on the October 27, 2012 Consolidated Balance Sheet.

Subsequent to October 27, 2012, we repurchased an additional 55 thousand shares of common stock for \$2 million under the February 2012 repurchase program. In addition, subsequent to October 27, 2012, our Board of Directors approved a new \$250 million share repurchase program ("November 2012 repurchase program") which includes \$50 million remaining under the February 2012 repurchase program. Under the November 2012 repurchase program, we repurchased 53 thousand shares of common stock for \$2 million through November 23, 2012.

Dividends

Under the authority and declaration of our Board of Directors, we paid the following dividends during the third quarter and year-to-date of 2012 and 2011:

	<u>Ordinary Dividends</u>	<u>Special Dividends</u> (per share)	<u>Total Dividends</u>	<u>Total Paid</u> (in millions)
2012				
Third Quarter	\$ 0.25	\$ 1.00	\$ 1.25	\$ 361
Second Quarter	0.25	—	0.25	73
First Quarter	0.25	—	0.25	73
2012 Total	<u>\$ 0.75</u>	<u>\$ 1.00</u>	<u>\$ 1.75</u>	<u>\$ 507</u>
2011				
Third Quarter	\$ 0.20	\$ —	\$ 0.20	\$ 60
Second Quarter	0.20	1.00	1.20	367
First Quarter	0.20	—	0.20	64
2011 Total	<u>\$ 0.60</u>	<u>\$ 1.00</u>	<u>\$ 1.60</u>	<u>\$ 491</u>

Our Board of Directors will determine future dividends after giving consideration to the Company's levels of profit and cash flow, capital requirements, current and forecasted liquidity, the restrictions placed upon us by our borrowing arrangements as well as financial and other conditions existing at the time.

In August 2012, our Board of Directors declared the third quarter ordinary dividend of \$0.25 per share and a special dividend of \$1 per share. The special dividend, totaling \$287 million, was distributed on September 7, 2012 to shareholders of record at the close of business on August 23, 2012.

Cash Flow

The following table provides a summary of our cash flow activity for year-to-date 2012 and 2011:

	<u>Year-to-Date</u>	
	<u>2012</u>	<u>2011</u>
	(in millions)	
Cash and Cash Equivalents, Beginning of Period	\$ 935	\$ 1,130
Net Cash Flows Provided by Operating Activities	75	94
Net Cash Flows Used for Investing Activities	(471)	(239)
Net Cash Flows Provided by (Used for) Financing Activities	7	(489)
Effect of Exchange Rate Changes on Cash	1	2
Net Decrease in Cash and Cash Equivalents	(388)	(632)
Cash and Cash Equivalents, End of Period	<u>\$ 547</u>	<u>\$ 498</u>

Operating Activities

Net cash provided by operating activities in 2012 was \$75 million, including net income of \$342 million and excess tax benefits from share-based compensation of \$103 million. Net income included depreciation and amortization of \$287 million. 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 item in working capital was the seasonal increases in inventories (and related increases in accounts payable) as we build our inventory levels in anticipation of the holiday season, which generates a substantial portion of our operating cash flow for the year. In addition, our Income Taxes Payable decrease was due to seasonal tax payments.

Net cash provided by operating activities in 2011 was \$94 million, including net income of \$491 million. Net income included depreciation and amortization of \$290 million, expense associated with a contribution of our remaining shares of Express to The Limited Brands Foundation of \$163 million, a gain related to The Limited Brands Foundation contribution of \$147 million and pre-tax gain on the sale of Express common stock of \$86 million. 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 item in working capital was the seasonal increases in inventories (and related increases in accounts payable) as we build our inventory levels in anticipation of the holiday season, which generates a substantial portion of our operating cash flow for the year. In addition, our Income Taxes Payable decrease was due to seasonal tax payments and the tax benefit associated with the charitable contribution to The Limited Brands Foundation.

Investing Activities

Net cash used for investing activities in 2012 was \$471 million consisting primarily of capital expenditures of \$491 million. The capital expenditures included \$358 million for opening new stores and remodeling and improving existing stores. Remaining capital expenditures were primarily related to spending on technology and infrastructure to support growth.

Net cash used for investing activities in 2011 was \$239 million consisting of capital expenditures of \$338 million partially offset by cash proceeds from the sale of Express common stock of \$99 million. The capital expenditures included \$198 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.

Financing Activities

Net cash provided by financing activities in 2012 was \$7 million consisting primarily of proceeds from the issuance of long-term debt of \$985 million (net of issuance costs), excess tax benefits from share-based compensation of \$103 million and proceeds from the exercise of stock options of \$42 million, partially offset by repurchases of common stock of \$616 million and quarterly and special dividend payments aggregating to \$1.75 per share, or \$507 million.

Net cash used for financing activities in 2011 was \$489 million consisting primarily of repurchase of common stock of \$1.073 billion and quarterly and special dividend payments aggregating to \$1.60 per share, or \$491 million, partially offset by proceeds from the issuance of long-term debt of \$981 million (net of issuance costs) and proceeds from the exercise of stock options.

Contingent Liabilities and Contractual Obligations

In connection with the disposition of certain businesses, we have remaining guarantees of approximately \$60 million related to lease payments of Express, Limited Stores, Abercrombie & Fitch, Dick's Sporting Goods, and New York & Company under the current terms of noncancelable leases expiring at various dates through 2017. These guarantees include minimum rent and additional payments covering taxes, common area costs and certain other expenses and relate to leases that commenced prior to the disposition of the businesses. In certain instances, our guarantee may remain in effect if the term of a lease is extended.

Our guarantees related to Express, Limited Stores and New York & Company require fair value accounting in accordance with GAAP in effect at the time of these divestitures. The guaranteed lease payments related to Express, Limited Stores and New York & Company totaled \$39 million as of October 27, 2012, \$49 million as of January 28, 2012 and \$53 million as of October 29, 2011. The estimated fair value of these guarantee obligations was \$3 million as of October 27, 2012, \$4 million as of January 28, 2012 and \$5 million as of October 29, 2011, and is included in Other Long-term Liabilities on the Consolidated Balance Sheets.

Our guarantees related to Abercrombie & Fitch and Dick's Sporting Goods are not subject to fair value accounting, but require that a loss be accrued when probable and reasonably estimable based on GAAP in effect at the time of these divestitures. We have no liability recorded with respect to any of the guarantee obligations as we concluded that payments under these guarantees were not probable as of October 27, 2012, January 28, 2012 and October 29, 2011.

Our contractual obligations primarily consist of long-term debt and the related interest payments, operating leases, purchase orders for merchandise inventory and other long-term obligations. These contractual obligations impact our short-term and long-term liquidity and capital resource needs. There have been no material changes in our contractual obligations since January 28, 2012, other than the issuance of the 2022 Notes. Additionally, certain of our contractual obligations may fluctuate during the normal course of business (primarily changes in our merchandise inventory-related purchase obligations which fluctuate throughout the year as a result of the seasonal nature of our operations).

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Indefinite-Lived Intangible Assets

In July 2012, the FASB issued ASU No. 2012-02, *Testing Indefinite-Lived Intangible Assets for Impairment*, which gives companies the option to perform a qualitative impairment assessment to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired. If a company determines that it is more likely than not that the fair value of such an asset exceeds its carrying amount, it would not need to calculate the fair value of the asset in that year. However, if a company concludes otherwise, it must calculate the fair value of the asset, compare that value with its carrying amount and record an impairment charge, if any. This guidance will be effective beginning in fiscal 2013, however, early adoption is permitted. ASU 2012-02 will not have an impact on our consolidated results of operations, financial position or cash flows. We are currently evaluating the provisions of this ASU.

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 revenues and expenses during the reporting period, as well as the related disclosure of contingent assets and liabilities at the date of the financial statements. On an ongoing basis, management evaluates its accounting policies, estimates and judgments, including those related to inventories, long-lived assets, claims and contingencies, and revenue recognition. Management bases our estimates and judgments on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

There have been no material changes to the critical accounting policies and estimates disclosed in our 2011 Annual Report on Form 10-K.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk

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

Foreign Exchange Rate Risk

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

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

Interest Rate Risk

Our investment portfolio primarily consists of interest-bearing instruments that are classified as cash and cash equivalents based on their original maturities. Our investment portfolio is maintained in accordance with our investment policy, which specifies permitted types of investments, specifies credit quality standards and maturity profiles and limits credit exposure to any single issuer. The primary objective of our investment activities are the preservation of principal, the maintenance of liquidity and the maximization of interest income while minimizing risk. Currently, our investment portfolio is comprised of U.S. and Canadian government obligations, U.S. Treasury and AAA-rated money market funds, bank time deposits and highly-

rated commercial paper. Given the short-term nature and quality of investments in our portfolio, we do not believe there is any material risk to principal associated with increases or decreases in interest rates.

All of our long-term debt as of October 27, 2012 has fixed interest rates. 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.

We will from time to time adjust our exposure to interest rate risk by entering into interest rate swap arrangements. As of October 27, 2012, we have no outstanding interest rate swap arrangements related to our long-term debt.

Fair Value of Financial Instruments

As of October 27, 2012, 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 October 27, 2012, January 28, 2012 and October 29, 2011:

	<u>October 27, 2012</u>	<u>January 28, 2012</u>	<u>October 29, 2011</u>
	(in millions)		
Long-term Debt: (a)			
Carrying Value	\$ 4,535	\$ 3,538	\$ 3,536
Fair Value, Estimated (b)	5,073	3,849	3,762
Cross-currency Swap Arrangements (c)	59	60	66
Fixed-to-Floating Interest Rate Swap Arrangements (c)	—	(14)	(10)

- (a) The increase in long-term debt is related to the issuance of the February 2022 Notes.
- (b) The estimated fair value is based on reported transaction prices. 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.

We maintain cash and cash equivalents with various major financial institutions, as well as a Revolving Facility that supports our letter of credit program. We monitor the relative credit standing of these financial institutions and other entities 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.

Item 4. 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.

Changes in internal control over financial reporting. There were no changes in our internal control over financial reporting that occurred in the third quarter 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

We are a defendant in a variety of lawsuits arising in the ordinary course of business. Actions filed against our Company from time to time include commercial, tort, intellectual property, customer, employment, data privacy, securities and other claims, including purported class action lawsuits. Although it is not possible to predict with certainty the eventual outcome of any litigation, in the opinion of management, our current legal proceedings are not expected to have a material adverse effect on our financial position or results of operations.

In July 2009, a complaint was filed against our Company for patent infringement in the United States District Court for the Eastern District of Texas. The complaint sought monetary damages, costs, attorneys' fees, and injunctive relief. In November 2011, a jury found in favor of the plaintiff and awarded damages of \$9 million for infringement from 2007 through 2011. We are unable to estimate the range of possible losses related to future infringement through the patents' expiration in 2015. We intend to appeal the judgment and to vigorously defend against this action.

Item 1A. RISK FACTORS

The risk factors that affect our business and financial results are discussed in “Item 1A: Risk Factors” in the 2011 Annual Report on Form 10-K. We wish to caution the reader that the risk factors discussed in “Item 1A: Risk Factors” in our 2011 Annual Report on Form 10-K, and those described elsewhere in this report or other Securities and Exchange Commission filings, could cause actual results to differ materially from those stated in any forward-looking statements.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides our repurchases of our common stock during the third quarter of 2012:

<u>Period</u>	<u>Total Number of Shares Purchased (a)</u> <small>(in thousands)</small>	<u>Average Price Paid Per Share (b)</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Programs (c)</u> <small>(in thousands)</small>	<u>Maximum Number of Shares (or Approximate Dollar Value) that May Yet be Purchased Under the Programs (c)</u>
August 2012	175	\$ 48.78	171	\$ 52,228
September 2012	11	48.54	—	52,228
October 2012	8	50.29	—	52,228
Total	<u>194</u>		<u>171</u>	

- (a) The total number of shares repurchased includes shares repurchased as part of publicly announced programs, with the remainder relating to shares repurchased in connection with tax payments due upon vesting of employee restricted stock awards and 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 3 to the Consolidated Financial Statements included in Item 1. Financial Statements.

Item 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 5. OTHER INFORMATION

Not applicable.

Item 6. EXHIBITS

Exhibits

10.1	Employment Agreement dated as of November 30, 2012 among Limited Brands, Inc. and Sharen Jester Turney filed hereto at Exhibit 10.1
15	Letter re: Unaudited Interim Financial Information re: Incorporation of Report of Independent Registered Public Accounting Firm.
31.1	Section 302 Certification of CEO.
31.2	Section 302 Certification of CFO.
32	Section 906 Certification (by CEO and CFO).
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURE

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

LIMITED BRANDS, INC.
(Registrant)

By: /s/ STUART B. BURGDOERFER
Stuart B. Burgdoerfer
Executive Vice President and Chief Financial Officer *

Date: November 30, 2012

* Mr. Burgdoerfer is the principal financial officer and the principal accounting officer and has been duly authorized to sign on behalf of the Registrant.

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the “**Agreement**”) is entered into, effective November 30, 2012, by and between **LIMITED BRANDS, INC.** (the “**Company**”), and **SHAREN JESTER TURNEY** (the “**Executive**”) (each hereinafter individually referred to as a “**Party**” and collectively referred to as the “**Parties**”).

WHEREAS, the Executive is employed as the Chief Executive Officer of Victoria's Secret and is experienced in various phases of the Company's business and possesses an intimate knowledge of the business and affairs of the Company and its policies, procedures, methods, and personnel; and

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

WHEREAS, this Agreement supersedes in its entirety the Employment Agreements, as amended, that the Parties previously entered into; provided, however, that nothing in this Employment Agreement shall cancel or modify any previous grant of stock options or restricted stock which was previously granted to the Executive or any rights with respect thereto.

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

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

1. **Term**. Subject to Section 9 hereof, the initial term of employment under this Agreement shall be for the period commencing on the effective date hereof (the “**Commencement Date**”) and ending on the six (6) year anniversary of the Commencement Date (the “**Initial Term**”); provided, however, that thereafter the term of employment under this Agreement shall be automatically renewed from year to year, unless either the Company or the Executive shall have given written notice to the other Party at least ninety (90) days prior thereto that the term of employment under of this Agreement shall not be so renewed. The actual period of the Executive's employment is referred to herein as the employment term (the “**Employment Term**”).

2. **Employment**.

(a) **Position**. The Executive shall be employed as the Chief Executive Officer of Victoria's Secret or such other position of reasonably comparable or greater status and responsibilities, as may be determined by the Board. The Executive shall perform the duties, undertake the responsibilities, and exercise the authority customarily performed, undertaken, and exercised by persons employed in a similar executive capacity. The Executive shall report to the Office of the Chief Executive of Limited Brands, Inc.

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

3. **Base Salary.** The Company agrees to pay or cause to be paid to the Executive an annual base salary at the rate of One Million Four Hundred Thousand Dollars (\$1,400,000.00), less applicable withholdings. This base salary will be subject to annual review and may be increased from time to time by the Board considering factors such as the Executive's responsibilities, compensation of similar executives within the Company and in other companies, performance of the Executive, and other pertinent factors (hereinafter referred to as the "**Base Salary**"). Such Base Salary shall be payable in accordance with the Company's customary practices applicable to its executives.

4. **Equity Compensation.** The Company has granted to the Executive restricted shares of the Company's common stock. Said grant has a grant date of March 30, 2012, and shall be subject to the terms and conditions set forth in the Limited Brands, Inc. 2011 Stock Option and Performance Incentive Plan (the "**Plan**") and in the respective stock grant. The Executive shall also be eligible for such other additional future equity-based awards (if any) as may be commensurate with her position and performance, if, when and as determined by the Board's Compensation Committee in its discretion.

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

6. **Bonus.** The Executive shall be entitled to participate in the Company's applicable incentive compensation plan at a target level of One Hundred Eighty Percent (180%) on such terms and conditions as may be determined from time to time by the Board.

7. **Other Benefits.**

(a) **Life Insurance.**

(i) During the term of the Agreement, the Company shall maintain term life insurance coverage on the life of the Executive in the amount of Three Million Dollars (\$3,000,000.00), the proceeds of which shall be payable to the beneficiary or beneficiaries designated by the Executive. The Executive agrees to undergo any reasonable physical examination and other procedures as may be necessary to maintain such policy. If the Company is not able to obtain such policy due to Executive's physical examination results, an AD&D (accidental death and dismemberment) policy of an equivalent amount will be obtained in lieu of the term life insurance coverage.

(ii) During the Employment Term, the Company shall be entitled to maintain a "key person" term life insurance policy on the life of the Executive, the proceeds of which shall be payable to the Company or its designees. The Executive agrees to undergo any reasonable physical examination and other procedures as may be necessary to maintain such policy.

(b) Expenses. Subject to applicable Company policies and Section 15(b) hereof, the Executive shall be entitled to receive prompt reimbursement of all expenses reasonably incurred by her in connection with the performance of her duties hereunder or for promoting, pursuing, or otherwise furthering the business or interests of the Company.

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

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

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

(a) Disability. The Company shall be entitled to terminate the Executive's employment after having established the Executive's Disability. For purposes of this Agreement, "**Disability**" means a physical or mental infirmity which impairs the Executive's ability to substantially perform her duties under this Agreement for a period of at least six (6) months in any twelve (12) month calendar period as determined in accordance with the Limited Brands, Inc. Long-Term Disability Plan.

(b) Cause. The Company shall be entitled to terminate the Executive's employment for "Cause" by delivery to the Executive of a Notice of Termination from the Board. For purposes of this Agreement, "**Cause**" shall mean that the Executive (1) willfully failed to perform 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.

The Executive shall be given a Notice of Termination by the Board, such notice to state in detail the particular act or acts or failure or failures to act that constitute the grounds on which the proposed termination for Cause is based. The Executive shall be entitled to a hearing before the Board or a committee thereof established for such purpose and to be accompanied by legal counsel. Such hearing shall be held within fifteen (15) days of notice to the Company by the Executive; provided the Executive requests such hearing within ten (10) days of the Notice of Termination.

(c) Termination by the Executive. The Executive may terminate employment hereunder for "Good Reason" by delivering to the Company (1) a Preliminary Notice of Good Reason (as defined below), and (2) not earlier than thirty (30) days from the delivery of such Preliminary Notice, a Notice of Termination. For purposes of this Agreement, "**Good Reason**" means (i) the failure to continue the Executive in a capacity contemplated by Section 2 hereof; (ii) the assignment to the Executive of any duties materially inconsistent with the Executive's positions, duties, authority, responsibilities, and reporting requirements as set forth in Section 2 hereof; (iii) a reduction in or a material delay in payment of the Executive's total cash compensation and benefits from those required to be provided in accordance with the provisions of this Agreement; (iv) the Company, the Board or any person controlling the Company requires the Executive to be based outside of the United States, other than on travel reasonably required to carry out the Executive's obligations under the Agreement; or (v) the failure of the Company to obtain the assumption in writing of its obligation to perform this Agreement by any successor to all or substantially all of the assets of the

Company within fifteen (15) days after a merger, consolidation, sale, or similar transaction; provided, however, that “Good Reason” shall not include (A) acts not taken in bad faith which are cured by the Company in all respects not later than thirty (30) days from the date of receipt by the Company of a written notice from the Executive identifying in reasonable detail the act or acts constituting “Good Reason” (a “**Preliminary Notice of Good Reason**”) or (B) acts taken by the Company by reason of the Executive's physical or mental infirmity which impairs the Executive's ability to substantially perform her duties under this Agreement. A Preliminary Notice of Good Reason shall not, by itself, constitute a Notice of Termination.

(d) Notice of Termination. Any purported termination for Cause by the Company or for Good Reason by the Executive shall be communicated by a written Notice of Termination to the other Party at least two (2) weeks prior to the Termination Date (as defined below). For purposes of this Agreement, a “**Notice of Termination**” shall mean a notice which indicates the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated. Any termination by the Company other than for Cause or by the Executive without Good Reason shall be communicated by a written Notice of Termination to the other Party at least ninety (90) days prior to the Termination Date. For purposes of this Agreement, no such purported termination of employment shall be effective without such Notice of Termination.

(e) Termination Date, Etc. “**Termination Date**” shall mean in the case of the Executive's death, the date of death, or in all other cases, the date specified in the Notice of Termination; provided, however, that if the Executive's employment is terminated by the Company due to Disability, the date specified in the Notice of Termination shall be at least thirty (30) days from the date the Notice of Termination is given to the Executive.

10. **Compensation Upon Certain Terminations Not Following a Change in Control.**

(a) Cause; Death; Executive's Non-Extension of Agreement. If during the Employment Term, whether or not following a Change in Control (as defined in Section 11(c) below), the Executive's employment is terminated by the Company for Cause or by reason of the Executive's death, or if the Executive gives written notice not to extend the term of this Agreement, the Company's sole obligations hereunder shall be to pay the Executive the following amounts earned hereunder but not paid as of the Termination Date: (i) Base Salary, (ii) reimbursement for any and all monies advanced or expenses incurred pursuant to Section 7(b) through the Termination Date, and (iii) any earned compensation which the Executive had previously deferred until termination of employment or which, by operation of the applicable plan and/or deferral election, would cause distribution to occur upon termination of employment (including any interest earned or credited thereon) (collectively, “**Accrued Compensation**”), provided however, that if the Executive gives written notice not to extend the Employment Term pursuant to Section 1, the Company shall continue to pay the premiums provided for in Section 7(a)(i) through the end of the calendar year in which the Termination Date occurs. The Executive's entitlement to any other benefits shall be determined in accordance with the Company's employee benefit plans then in effect.

(b) Other Than for Cause and by the Executive for Good Reason. If the Executive's employment is terminated by the Company other than for Cause or by the Executive for Good Reason, in each case other than during the twenty-four (24) month period immediately following a Change in Control to which Section 14 applies, the Company's sole obligations hereunder shall be as follows:

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

(ii) the Company shall continue to pay the Executive the Base Salary for a period of one (1) year following the Termination Date (“**Separation Pay**”) in accordance with Section 10(g);

(iii) in consideration of the Executive signing a general release in a form acceptable to the Company (the “**General Release**”), the Company shall (A) pay the Executive in accordance with Section 10(g) any incentive compensation that would have been made under the plan described in Section 6 had the Executive remained employed with the Company for a period of one (1) year after the Termination Date (“**Incentive Pay**”); and (B) pay the Executive her Base Salary for one (1) additional year after payments have ended under Section 10(b)(ii) (“**Additional Separation Pay**”) (A and B, collectively, the “**Release Payments**”); provided, however, that the Executive's failure to sign, or revocation of, such General Release shall render this Section 10(b)(iii) null and void; and

(iv) the Company shall continue to pay the premiums provided for in Section 7(a)(i) hereof through the end of the calendar year in which the Termination Date occurs;

provided, however, that in the event the Executive becomes entitled to any payments under Section 11, the Company's obligations to the Executive under Section 10(b) shall thereafter be determined solely under Section 11.

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

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

(ii) the Company shall continue to pay the Executive, in accordance with Section 10(g), one hundred percent (100%) of the Base Salary for the first twelve (12) months following the Termination Date; eighty percent (80%) of the Base Salary for the second twelve (12) months following the Termination Date; and sixty percent (60%) of the Base Salary for the third twelve (12) months following the Termination Date; provided, however, that such Base Salary shall be reduced by the amount of any benefits the Executive receives by reason of her Disability under the Company's relevant disability plan or plans (“**Disability Pay**”); and

(iii) if the Executive is Disabled beyond thirty-six (36) months, the Company shall continue to pay the Executive, in accordance with Section 10(g), sixty percent (60%) of the Base Salary, up to a maximum payment of Two Hundred Fifty Thousand Dollars (\$250,000.00) per year, for the period of the Executive's Disability, as defined in the Company's relevant disability plans; provided, however, that such payments shall be reduced by the amount of any benefits the Executive receives by reason of her Disability under the Company's relevant disability plan or plans; and

(iv) the Company shall continue to pay the premiums provided for in Section 7(a)(i) hereof through the end of the calendar year in which the Termination Date occurs.

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

- (i) the Company shall pay the Executive the Accrued Compensation;
- (ii) the Company shall pay the Executive Separation Pay in accordance with Section 10(g);
- (iii) in consideration of the Executive signing a General Release, the Company shall pay the Executive Release Payments in accordance with Section 10(g); provided, however, that the Executive's failure to sign, or revocation of, such General Release shall render this Section 10(d) (iii) null and void; and
- (iv) the Company shall continue to pay the premiums provided for in Section 7(a) (i) hereof through the end of the calendar year in which the Termination Date occurs.

(e) Medical and Dental Plans. For up to eighteen (18) months during the period the Executive is receiving Separation Pay, Additional Separation Pay or Disability Pay pursuant to Section 10 (b), 10(c)(ii) or 10(d) hereof, the Company shall, at its expense, provide to the Executive and the Executive's beneficiaries medical and dental benefits substantially similar in the aggregate to the those provided to the Executive immediately prior to the date of the Executive's termination of employment; provided, however, that the Company's obligation to provide such benefits shall cease upon the earlier of eighteen months from the Termination Date and the Executive becoming eligible for such benefits as the result of employment with another employer.

(f) No Mitigation. The Executive shall not be required to mitigate the amount of any payment provided for in this Section 10 or Section 11 by seeking other employment or otherwise; and no such payment or benefit shall be eliminated, offset or reduced by the amount of any compensation provided to the Executive in any subsequent employment, except as provided in Section 10(e).

(g) Payment. For purposes of this Section 10, subject to Section 15 and except as otherwise provided below, payment of Separation Pay, Release Payments and/or Disability Pay shall commence within sixty (60) days after the Executive's Termination Date; provided that the Executive has delivered an executed copy of the General Release to the Company as may be required by Section 10(b), 10(c) or 10(d) and the seven (7) day period during which the Executive may revoke the General Release has expired; and provided further that if such sixty (60) day period begins in one (1) calendar year and ends in a second calendar year, payment shall always begin in the second calendar year. Such Separation Pay, Additional Separation Pay and Disability Pay shall be paid in equal consecutive bi-weekly payments, less applicable withholdings, through the Company's normal payroll process. Notwithstanding the foregoing and subject to Section 15, payment of Incentive Pay shall be paid as follows: (i) for the applicable Spring Season, in a lump sum cash payment, less applicable withholdings, between September 1 and September 15 of the same calendar year in which the Spring Season ends; and (ii) for the applicable Fall Season, in a lump sum cash payment, less applicable withholdings, between March 1 and March 15 of the same calendar year in which the Fall Season ends.

11. **Compensation Upon Certain Terminations by the Company Prior to a Change in Control.**

(a) In the event that (x) the Company enters into a binding agreement that, if consummated, would constitute a Change in Control; (y) the Executive's employment is terminated under the circumstances set forth in Section 10(b); and (z) within six (6) months after the execution of such binding agreement, a

Change in Control of the Company occurs involving one (1) or more of the other parties to such agreement, then the Company's sole obligations hereunder shall be as follows:

(i) subject to Section 15, the Company shall spread out, beginning as of the next regular payroll date, in equal, consecutive bi-weekly payments to the Executive over the remainder of the two (2) year payment period an amount equal to the sum of (A) and (B), where **(A)** is the difference between (x) the Severance Amount (as defined in Section 14(a)(ii)) and (y) the sum of the payments made to the Executive prior to the Change in Control pursuant to Section 10(b)(ii) and **(B)** is the difference between (x) the Bonus Amount (as defined in the Section 14(a)(iii)) and (y) the Incentive Pay payments made to the Executive prior to the Change in Control pursuant to Section 10 (b)(iii)(A). If no payment has begun under Section 10(b)(ii) and the requirements of Section 11(a) are satisfied, payment shall be made under this Section 11(a)(i) (with the payments under Section 10 (b) equaling zero (0)) in accordance with the terms of Section 10(g);

(ii) subject to Section 15(b), the Company shall reimburse the Executive for any documented legal fees and expenses to the extent set forth in Section 14(a)(v); and

(iii) the Company shall pay such premiums as are required by Section 14(a)(vi)(A) to the extent not previously paid pursuant to Section 10(b)(iv) and shall make available to the Executive and the Executive's beneficiaries medical and dental benefits to the extent provided in Section 14(a) (vi)(B).

(b) For purposes of this Section 11 and Section 14, "Company" shall mean Limited Brands, Inc., a Delaware corporation.

(c) For purposes of this Agreement, "**Change in Control**" shall mean a "change in control" within the provisions set forth in the Plan.

12. Employee Covenants.

(a) Definitions. For the purposes of this Section 12, the term "Company" shall include the Limited Brands, Inc. and its Affiliates. For purposes of this Agreement, "Affiliate" means any entity with which Limited Brands, Inc. would be considered a single employer under Sections 414(b) and 414(c) of the Code.

(b) Confidentiality. The Executive shall not, during the term of this Agreement and thereafter, make any Unauthorized Disclosure. For purposes of this Agreement, "**Unauthorized Disclosure**" shall mean use by the Executive for her own benefit or disclosure by the Executive to any person other than a person to whom disclosure is reasonably necessary or appropriate in connection with the performance by the Executive of duties as an executive of the Company or as may be legally required, of any confidential information relating to the business or prospects of the Company (including, but not limited to, any information and materials pertaining to any Intellectual Property as defined below; provided, however, that such term shall not include the use or disclosure by the Executive, without consent, of any publicly available information (other than information available as a result of disclosure by the Executive in violation of this Section 12 (b)). This confidentiality covenant has no temporal, geographical or territorial restriction.

(c) Non-Competition. During the Non-Competition Period described below, the Executive shall not, directly or indirectly, without the prior written consent of the Company, own, manage, operate, join, control, be employed by, consult with or participate in the ownership, management, operation

or control of, or be connected with (as a stockholder, partner, or otherwise), any business, individual, partner, firm, corporation, or other entity that competes or plans to compete, directly or indirectly, with the Company, or any of its products; provided, however, that the “beneficial ownership” by the Executive after termination of employment with the Company, either individually or as a member of a “group,” as such terms are used in Rule 13d of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), of not more than two percent (2%) of the voting stock of any publicly held corporation shall not be a violation of this Section 12(c) of this Agreement.

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

(d) Non-Solicitation. During the No-Raid Period described below, the Executive shall not directly or indirectly solicit, induce or attempt to influence any employee to leave the employment of the Company, nor assist anyone else in doing so. Further, during the No-Raid Period, the Executive shall not, either directly or indirectly, alone or in conjunction with another party, interfere with or harm, or attempt to interfere with or harm, the relationship of the Company, with any person who at any time was an employee, customer or supplier of the Company, or otherwise had a business relationship with the Company.

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

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

(f) Remedies. The Executive agrees that any breach of the terms of this Section 12 would result in irreparable injury and damage to the Company for which the Company would have no adequate remedy at law; the Executive therefore also agrees that in the event of said breach or any threat of breach, the Company shall be entitled to an immediate injunction and restraining order to prevent, such breach and/or threatened breach and/or continued breach by the Executive and/or any and all persons and/or entities acting for and/or with the Executive, without having to prove damages, and to all costs and expenses, including

reasonable attorneys' fees and costs, in addition to any other remedies to which the Company may be entitled at law or in equity. The terms of this paragraph shall not prevent the Company from pursuing any other available remedies for any breach or threatened breach hereof, including but not limited to the recovery of damages from the Executive. The Executive and the Company further agree that the provisions of the covenants not to compete and solicit are reasonable and that the Company would not have entered into this Agreement but for the inclusion of such covenants herein. Should a court determine, however, that any provision of the covenants is unreasonable, either in period of time, geographical area, or otherwise, the Parties hereto agree that the covenant should be interpreted and enforced to the maximum extent which such court deems reasonable.

The provisions of this Section 12 shall survive any termination of this Agreement, and the existence of any claim or cause of action by the Executive against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of the covenants and agreements of this Section 12; provided, however, that this Section shall not, in and of itself, preclude the Executive from defending herself against the enforceability of the covenants and agreements of this Section 12.

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

14. **Compensation Upon Certain Terminations During the 24-Month Period Following a Change in Control.**

(a) If the Executive's employment is terminated by the Company, other than for Cause, or by the Executive for Good Reason, in each case solely during the twenty-four- (24-) consecutive month period immediately following a Change in Control, the Company's sole obligations hereunder, subject to the Executive's execution of a General Release and subject to Section 15, shall be as follows:

- (i) the Company shall pay the Executive the Accrued Compensation;
- (ii) subject to Section 15, the Company shall pay an amount equal to two (2) times the Executive's Base Salary (the "**Severance Amount**");
- (iii) subject to Section 15, the Company shall pay the Executive an amount equal to the sum of the last four (4) bonus payments the Executive received under the Company's incentive compensation plan described in Section 6 and a pro-rata amount for the selling season in which the Executive's employment is terminated based on the average of the prior four (4) bonus payments and the number of days the Executive is employed during such season (the "**Bonus Amount**");
- (iv) For purposes of this Section 14, subject to Section 15, payment of the Severance Amount and Bonus Amount shall commence within sixty (60) days after the Executive's Termination Date; provided that the Executive has delivered an executed copy of the General Release to the Company, and the seven (7) day period during which the Executive may revoke the General Release has expired; and provided further that if such sixty (60) day period begins in one (1) calendar year and ends in a second calendar year, payment shall always begin in the second calendar year. Such Severance Amount and Bonus Amount shall be paid in equal, consecutive bi-weekly payments, less

applicable withholdings, through the Company's normal payroll process, during the two (2) year period following the Executive's Termination Date.

(v) Subject to Section 15, the Company shall reimburse the Executive for all documented legal fees and expenses reasonably incurred by the Executive in seeking to obtain or enforce any right or benefit provided by this Section 14; and

(vi) the Company shall (A) pay the premiums provided for in Section 7(a)(i) hereof through the end of the calendar year in which the Executive's Termination Date occurs, and (B) shall provide the Executive and Executive's beneficiaries medical and dental benefits substantially similar to those which the Executive was receiving immediately prior to the Termination Date for a period of up to eighteen (18) months after the Termination Date; provided however, that the Company's obligation with respect to the foregoing medical and dental benefits shall cease upon the earlier of 18 months from the Termination Date and the Executive becoming eligible for such benefits as the result of employment with another employer.

(b) Except as provided in Section 14(a)(vi)(B), the Executive shall not be required to mitigate the amount of any payment provided for in this Section 14 by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Section 14 be reduced by any compensation earned by the Executive as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by the Executive to the Company, or otherwise.

15. **Compliance with Section 409A.**

(a) To the extent that the payments and benefits to which the Executive is entitled in connection with a termination of her employment pursuant to this Agreement, including but not limited to Separation Pay, Release Payments, Disability Pay, the Severance Amount, and the Bonus Amount (collectively, the "**Separation Benefits**") constitute non-qualified deferred compensation subject to Section 409A of the Internal Revenue Code of 1986, as amended ("**Code**"), and the guidance issued thereunder by the United States Treasury and the Internal Revenue Service (collectively "**Section 409A**") and no exception or exemption applies, the following rules shall apply to the Separation Benefits:

(i) all references to termination of employment (or like terms) hereunder shall be interpreted to mean "separation from service," as defined in regulations under Section 409A;

(ii) if the Executive is a "specified employee" (as that term is used in Section 409A) on the date her separation from service becomes effective, any part of the Separation Benefits that constitutes non-qualified deferred compensation subject to Section 409A shall be delayed (the "**Delayed Payments**") until the earlier of (i) the first business day of the seventh month following the anniversary of the date her separation from service becomes effective, and (ii) the date of the Executive's death, but only to the extent necessary to avoid the adverse tax consequences and penalties under Section 409A. On the earlier of (i) the first business day following the seven-month anniversary of the date the Executive's separation from service becomes effective, and (ii) the Executive's death, the Company shall pay the Executive in a lump sum the aggregate value of the Delayed Payments with interest calculated thereon based on the prime rate reported in the *Wall Street Journal* on the date the first Delayed Payment was otherwise due. Thereafter, payment shall resume pursuant to the applicable payment section herein; and

(iii) it is intended that each installment of the payments and benefits provided in this Agreement in connection with a termination of the Executive's employment shall be treated as a "separate payment" for purposes of Section 409A.

(b) If any of the reimbursements or in-kind benefits provided for under this Agreement is subject to Section 409A, the following rules shall apply:

(i) in no event shall any such reimbursement be paid after the last day of the taxable year following the taxable year in which the expense was incurred;

(ii) the amount of such reimbursable expenses incurred, or the provision of in-kind benefits, in one (1) tax year shall not affect the expenses eligible for reimbursement or the provision of in-kind benefits in any other tax year; and

(iii) the right to such reimbursement for expenses or provision of in-kind benefits is not subject to liquidation or exchange for any other benefit.

(c) Notwithstanding any other provision of this Agreement to the contrary, in the event of any ambiguity in the terms of this Agreement, such term(s) shall be interpreted and at all times administered in a manner that avoids the inclusion of compensation in income under Section 409A, or the payment of increased taxes, excise taxes or other penalties under Section 409A, to the extent possible.

(d) The Parties intend this Agreement to be in compliance with, or otherwise exempt from, Section 409A, to the extent possible.

(e) Notwithstanding any other provision of this Agreement, the federal, state, and local income and/or other tax treatment of payments and benefits under this Agreement shall not be and is not warranted or guaranteed. Neither the Company, its Affiliates, nor its attorneys nor any of their designees shall be liable for any taxes, penalties, or other monetary amounts owed by the Executive or any other person as a result of this Agreement or any payment under this Agreement.

16. Successors and Assigns.

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

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

17. **Arbitration.** Except with respect to the remedies set forth in Section 12(f) hereof, any controversy or claim between the Company or any of its Affiliates and the Executive arising out of or relating to this Agreement or its termination shall be settled and determined by a single arbitrator whose award shall be accepted as final and binding upon the Parties. The American Arbitration Association, under its Employment Arbitration Rules, shall administer the binding arbitration. The arbitration shall take place in Columbus, Ohio. The Company and the Executive each waive any right to a jury trial or to a petition for stay in any action or proceeding of any kind arising out of or relating to this Agreement or its termination and agree that the arbitrator shall have the authority to award cost and attorney fees to the prevailing Party.

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

To the Executive:

Sharen Jester Turney
1 Bottomley Crescent
New Albany, OH 43054

To the Company:

Limited Brands, Inc.
Three Limited Parkway
Columbus, Ohio 43230
Attn: Secretary

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

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

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

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

23. **Headings.** Headings are for reference only and shall not be used to interpret any section of this Agreement.

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

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

LIMITED BRANDS, INC.

By: /s/ LESLIE H. WEXNER

Name: Leslie H. Wexner

Title: Chairman

Date: 11/28/2012

/s/ SHAREN JESTER TURNEY

Sharen Jester Turney

Date: 11/26/2012

November 30, 2012

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

We are aware of the incorporation by reference in the following Registration Statements of Limited Brands, Inc. and, with respect to the Registration Statement on Form S-3, in the related Prospectus of Limited Brands, Inc.:

Registration Statement (Form S-3 ASR No. 333-170406)
Registration Statement (Form S-4 No. 333-163026)
Registration Statement (Form S-8 No. 33-49871)
Registration Statement (Form S-8 No. 333-110465)
Registration Statement (Form S-8 No. 333-04927)
Registration Statement (Form S-8 No. 333-04941)
Registration Statement (Form S-8 No. 333-118407)
Registration Statement (Form S-8 No. 333-161841)
Registration Statement (Form S-8 No. 333-176588);

of our report dated November 30, 2012 relating to the unaudited consolidated interim financial statements of Limited Brands, Inc. and its subsidiaries that are included in its Form 10-Q for the quarter ended October 27, 2012.

/s/ Ernst & Young LLP

Columbus, Ohio

Section 302 Certification

I, Leslie H. Wexner, certify that:

1. I have reviewed this report on Form 10-Q of Limited Brands, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ LESLIE H. WEXNER

Leslie H. Wexner

Chairman and Chief Executive Officer

Date: November 30, 2012

Section 302 Certification

I, Stuart B. Burgdoerfer, certify that:

1. I have reviewed this report on Form 10-Q of Limited Brands, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ STUART B. BURGDOERFER

Stuart B. Burgdoerfer

Executive Vice President and
Chief Financial Officer

Date: November 30, 2012

Section 906 Certification

Leslie H. Wexner, the Chairman and Chief Executive Officer, and Stuart B. Burgdoerfer, the Executive Vice President and Chief Financial Officer, of Limited Brands, Inc. (the "Company"), each certifies that, to the best of his knowledge:

- (i) the Quarterly Report of the Company on Form 10-Q dated November 30, 2012 for the period ending October 27, 2012 (the "Form 10-Q"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ LESLIE H. WEXNER

Leslie H. Wexner

Chairman and Chief Executive Officer

/s/ STUART B. BURGDOERFER

Stuart B. Burgdoerfer

Executive Vice President and Chief Financial Officer

Date: November 30, 2012