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 August 1, 2015

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

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

Delaware	**31-1029810**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
Three Limited Parkway Columbus, Ohio	**43230**
(Address of principal executive offices)	(Zip Code)

(614) 415-7000
(Registrant's Telephone Number, Including Area Code)

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 August 28, 2015
	290,378,683 Shares

L BRANDS, INC.

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* The Company's fiscal year ends on the Saturday nearest to January 31. As used herein, "second quarter of 2015" and "second quarter of 2014" refer to the thirteen week periods ending August 1, 2015 and August 2, 2014, respectively. "Year-to-date 2015" and "year-to-date 2014" refer to the twenty-six week periods ending August 1, 2015 and August 2, 2014, respectively.

PART I—FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

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

	Second Quarter		Year-to-Date	
	2015	2014	2015	2014
Net Sales	$ 2,765	$ 2,675	$ 5,277	$ 5,066
Costs of Goods Sold, Buying and Occupancy	(1,651)	(1,631)	(3,107)	(3,040)
Gross Profit	1,114	1,044	2,170	2,026
General, Administrative and Store Operating Expenses	(711)	(668)	(1,395)	(1,314)
Operating Income	403	376	775	712
Interest Expense	(78)	(82)	(158)	(166)
Other Income (Loss)	(2)	2	76	5
Income Before Income Taxes	323	296	693	551
Provision for Income Taxes	121	108	240	206
Net Income	$ 202	$ 188	$ 453	$ 345
Net Income Per Basic Share	$ 0.69	$ 0.65	$ 1.55	$ 1.18
Net Income Per Diluted Share	$ 0.68	$ 0.63	$ 1.52	$ 1.16
Dividends Per Share	$ 0.50	$ 0.34	$ 3.00	$ 1.68

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

	Second Quarter		Year-to-Date	
	2015	2014	2015	2014
Net Income	$ 202	$ 188	$ 453	$ 345
Other Comprehensive Income (Loss), Net of Tax:				
Reclassification of Cash Flow Hedges to Earnings	(27)	2	(10)	8
Foreign Currency Translation	22	(1)	12	(3)
Unrealized Gain (Loss) on Cash Flow Hedges	14	(5)	4	(13)
Total Other Comprehensive Income (Loss), Net of Tax	9	(4)	6	(8)
Total Comprehensive Income	$ 211	$ 184	$ 459	$ 337

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

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

	August 1, 2015	January 31, 2015	August 2, 2014
	(Unaudited)		(Unaudited)
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 780	$ 1,681	$ 1,147
Marketable Securities	50	—	—
Accounts Receivable, Net	257	252	233
Inventories	1,106	1,036	1,075
Deferred Income Taxes	35	33	27
Other	270	230	217
Total Current Assets	2,498	3,232	2,699
Property and Equipment, Net	2,275	2,277	2,164
Goodwill	1,318	1,318	1,318
Trade Names and Other Intangible Assets, Net	411	411	411
Other Assets	302	306	278
Total Assets	$ 6,804	$ 7,544	$ 6,870
LIABILITIES AND EQUITY (DEFICIT)			
Current Liabilities:			
Accounts Payable	$ 725	$ 613	$ 622
Accrued Expenses and Other	840	900	743
Current Portion of Long-term Debt	—	—	214
Income Taxes	5	166	1
Total Current Liabilities	1,570	1,679	1,580
Deferred Income Taxes	273	261	229
Long-term Debt	4,759	4,765	4,758
Other Long-term Liabilities	849	820	806
Shareholders' Equity (Deficit):			
Preferred Stock - $1.00 par value; 10 shares authorized; none issued	—	—	—
Common Stock - $0.50 par value; 1,000 shares authorized; 312, 310 and 309 shares issued; 291, 292 and 292 shares outstanding, respectively	156	155	155
Paid-in Capital	483	427	365
Accumulated Other Comprehensive Income	41	35	32
Retained Earnings (Accumulated Deficit)	(194)	233	(263)
Less: Treasury Stock, at Average Cost; 21, 18 and 17 shares, respectively	(1,134)	(832)	(793)
Total L Brands, Inc. Shareholders' Equity (Deficit)	(648)	18	(504)
Noncontrolling Interest	1	1	1
Total Equity (Deficit)	(647)	19	(503)
Total Liabilities and Equity (Deficit)	$ 6,804	$ 7,544	$ 6,870

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

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

	Year-to-Date	
	2015	**2014**
Operating Activities:		
Net Income	$ 453	$ 345
Adjustments to Reconcile Net Income to Net Cash Provided by (Used for) Operating Activities:		
Depreciation and Amortization of Long-lived Assets	224	219
Amortization of Landlord Allowances	(20)	(20)
Deferred Income Taxes	7	19
Share-based Compensation Expense	50	45
Excess Tax Benefits from Share-based Compensation	(61)	(37)
Gain on Divestiture of Third-party Apparel Sourcing Business	(78)	—
Loss on Sale of Assets	3	—
Changes in Assets and Liabilities:		
Accounts Receivable	(6)	11
Inventories	(71)	91
Accounts Payable, Accrued Expenses and Other	(36)	(62)
Income Taxes Payable	(151)	(187)
Other Assets and Liabilities	61	22
Net Cash Provided by Operating Activities	375	446
Investing Activities:		
Capital Expenditures	(358)	(349)
Proceeds from Sale of Assets	135	—
Proceeds from Divestiture of Third-party Apparel Sourcing Business	85	—
Purchase of Marketable Securities	(50)	—
Other Investing Activities	1	15
Net Cash Used for Investing Activities	(187)	(334)
Financing Activities:		
Borrowings from Revolving Facility	—	5
Repayments on Revolving Facility	—	(5)
Repurchase of Common Stock	(295)	(48)
Dividends Paid	(880)	(491)
Excess Tax Benefits from Share-based Compensation	61	37
Proceeds from Exercise of Stock Options and Other	23	22
Financing Costs	—	(5)
Net Cash Used for Financing Activities	(1,091)	(485)
Effects of Exchange Rate Changes on Cash and Cash Equivalents	2	1
Net Decrease in Cash and Cash Equivalents	(901)	(372)
Cash and Cash Equivalents, Beginning of Period	1,681	1,519
Cash and Cash Equivalents, End of Period	$ 780	$ 1,147

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

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

1. Description of Business and Basis of Presentation

Description of Business

L 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 ("U.K."), which are primarily mall-based, and through its websites 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, “second quarter of 2015” and “second quarter of 2014” refer to the thirteen week periods ending August 1, 2015 and August 2, 2014, respectively. "Year-to-date 2015" and "year-to-date 2014" refer to the twenty-six week periods ending August 1, 2015 and August 2, 2014.

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 (Loss) on the Consolidated Statements of Income. The Company’s equity investments are required to be tested for impairment when it is determined there may be an other-than-temporary loss in value.

Interim Financial Statements

The Consolidated Financial Statements as of and for the periods ended August 1, 2015 and August 2, 2014 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 2014 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. government obligations, U.S. Treasury and AAA-rated money market funds, highly rated commercial paper and bank deposits.

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

Revenue Recognition from Contracts with Customers

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*. This guidance requires companies to recognize revenue in a manner that depicts the transfer of promised goods or services to customers in amounts that reflect the consideration to which a company expects to be entitled in exchange for those goods or services. The new standard also will result in enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. This guidance will be effective beginning in fiscal 2018, with early adoption as of fiscal 2017 permitted. The standard allows for either a full retrospective or a modified retrospective transition method. The Company is currently evaluating the impact of this standard, including the transition method, on its Consolidated Statements of Income and Comprehensive Income, Balance Sheets and Statements of Cash Flows.

Simplifying the Presentation of Debt Issuance Costs

In April 2015, the FASB issued ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs.* This guidance requires companies to recognize debt issuance costs related to recognized debt liabilities in the balance sheet as a direct deduction from the carrying amount of those debt liabilities, consistent with debt discounts. This guidance will be effective beginning in fiscal 2016, and early adoption is permitted. This standard requires retrospective adoption. The Company is finalizing its evaluation of this ASU, including timing of adoption, but expects to record a decrease to Other Assets and Long-term Debt of approximately $35 million upon adoption.

3. Earnings Per Share and Shareholders' Equity (Deficit)

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 second quarter and year-to-date 2015 and 2014:

	Second Quarter		Year-to-Date	
	2015	**2014**	**2015**	**2014**
		(in millions)		
Weighted-average Common Shares:				
Issued Shares	312	309	312	309
Treasury Shares	(21)	(17)	(20)	(17)
Basic Shares	291	292	292	292
Effect of Dilutive Options and Restricted Stock	6	5	6	5
Diluted Shares	297	297	298	297
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 (Deficit)

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 2015 and 2014:

Repurchase Program	Amount Authorized	Shares Repurchased		Amount Repurchased		Average Stock Price of Shares Repurchased within Program
		2015	2014	2015	2014	
	(in millions)	(in thousands)		(in millions)		
June 2015	$ 250	624	NA	$ 52	NA	$ 83.75
February 2015	$ 250	2,788	NA	$ 250	NA	$ 89.45
November 2012	$ 250	NA	826	NA	$ 45	$ 48.52

In June 2015, the Company's Board of Directors approved a new $250 million share repurchase program, which included the $0.6 million remaining under the February 2015 repurchase program.

In February 2015, the Company's Board of Directors approved a $250 million share repurchase program, which included the $91 million remaining under the November 2012 repurchase program.

The June 2015 repurchase program had $198 million remaining as of August 1, 2015. Subsequent to August 1, 2015, the Company repurchased an additional 0.7 million shares of common stock for $61 million under this program.

There were $7 million of share repurchases reflected in Accounts Payable on the August 1, 2015 Consolidated Balance Sheet. There were no share repurchases reflected in Accounts Payable as of January 31, 2015 and August 2, 2014.

Dividends

Under the authority and declaration of the Board of Directors, the Company paid the following dividends during year-to-date 2015 and 2014:

	Ordinary Dividends	Special Dividends	Total Dividends	Total Paid
		(per share)		(in millions)
2015				
Second Quarter	$ 0.50	$ —	$ 0.50	$ 146
First Quarter	0.50	2.00	2.50	734
2015 Total	$ 1.00	$ 2.00	$ 3.00	$ 880
2014				
Second Quarter	$ 0.34	$ —	$ 0.34	$ 99
First Quarter	0.34	1.00	1.34	392
2014 Total	$ 0.68	$ 1.00	$ 1.68	$ 491

4. Inventories

The following table provides details of inventories as of August 1, 2015, January 31, 2015 and August 2, 2014:

	August 1, 2015	January 31, 2015	August 2, 2014
		(in millions)	
Finished Goods Merchandise	$ 963	$ 942	$ 967
Raw Materials and Merchandise Components	143	94	108
Total Inventories	$ 1,106	$ 1,036	$ 1,075

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

5. Property and Equipment, Net

The following table provides details of property and equipment, net as of August 1, 2015, January 31, 2015 and August 2, 2014:

	August 1, 2015	January 31, 2015	August 2, 2014
		(in millions)	
Property and Equipment, at Cost	$ 5,565	$ 5,480	$ 5,304
Accumulated Depreciation and Amortization	(3,290)	(3,203)	(3,140)
Property and Equipment, Net	$ 2,275	$ 2,277	$ 2,164

Depreciation expense was $113 million and $109 million for the second quarter of 2015 and 2014, respectively. Depreciation expense was $224 million and $219 million for year-to-date 2015 and 2014, respectively.

In July 2015, the Company completed sale and leaseback transactions under noncancellable operating leases of certain assets with a carrying value of $118 million. The proceeds of $118 million from the sale of these assets are included in Proceeds from Sale of Assets within the Investing Activities section of the 2015 Consolidated Statement of Cash Flows. For additional information, see Note 12, "Commitments and Contingencies."

Subsequent to August 1, 2015, the Company completed a sale and leaseback transaction under a noncancellable operating lease of an additional asset with a carrying value of $41 million. The proceeds from the sale of $42 million will be recognized in the third quarter of 2015. For additional information, see Note 12, "Commitments and Contingencies."

6. Equity Investments and Other

Third-party Apparel Sourcing Business

In the first quarter of 2015, the Company divested its remaining ownership interest in its third-party apparel sourcing business to Sycamore Partners. The Company received cash proceeds of $85 million and recognized a pre-tax gain of $78 million (after-tax gain of $69 million). The gain is included in Other Income (Loss) in the year-to-date 2015 Consolidated Statement of Income and the cash proceeds are included in Proceeds from Divestiture of the Third-party Apparel Sourcing Business within the Investing Activities section of the 2015 Consolidated Statement of Cash Flows.

The Company's carrying value for this equity method investment, $8 million as of January 31, 2015 and $5 million as of August 2, 2014, is included in Other Assets on the January 31, 2015 and August 2, 2014 Consolidated Balance Sheets. The Company's share of net income (loss) from this investment was included in Other Income (Loss) on the second quarter and year-to-date 2014 Consolidated Statements of Income.

Easton Investments

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 totaled $94 million as of August 1, 2015, $101 million as of January 31, 2015 and $100 million as of August 2, 2014 and are recorded in Other Assets on the Consolidated Balance Sheets.

Included in the Company’s Easton investments is an equity interest in Easton Town Center, LLC (“ETC”), an entity that owns and has developed a commercial entertainment and shopping center. The Company’s investment in ETC is accounted for using the equity method of accounting. The Company has a majority financial interest in ETC, but another unaffiliated member manages ETC. Certain significant decisions regarding ETC require the consent of unaffiliated members in addition to the Company.

In July 2015, ETC entered into an interest rate swap with cash settlement due in February 2017. The Company provided a guarantee of payment to the counterparty for amounts owed by ETC, if any, upon settlement if ETC is unable to pay. The Company’s estimated maximum potential loss from this guarantee is $63 million, which was determined primarily based upon estimated fluctuations in future interest rates. The estimated fair value of this guarantee obligation is primarily impacted by the Company's assessment of ETC's ability to pay in addition to estimated fluctuations in future interest rates. The estimated fair value of this guarantee obligation is not significant as of August 1, 2015.

Also included in the Company's Easton investments is an equity interest in Easton Gateway, LLC ("EG"), an entity that owns and is developing a commercial shopping center in the Easton community. The Company has a majority financial interest in EG, but another unaffiliated member manages the activities that most significantly impact the economic performance of EG including leasing, tenant relationships and maintenance of the center. Certain significant decisions regarding EG require the consent of the unaffiliated member in addition to the Company. In April 2014, EG entered into a construction loan for financing related to the development of the commercial shopping center that matures in April 2017. In conjunction with the EG loan, the Company, along with the unaffiliated member, provided a guarantee of interest, certain expenses and a completion guarantee on the construction of the commercial shopping center.

The Company has concluded EG is a variable interest entity; however, the Company is not the primary beneficiary as defined in Accounting Standards Codification ("ASC") Topic 810, *Consolidation,* and, therefore, accounts for its investment in EG using the equity method of accounting. The Company's investment in EG totaled $32 million as of August 1, 2015, $34 million as of January 31, 2015 and $35 million as of August 2, 2014. The Company's estimated maximum potential loss from its involvement with EG totaled $42 million as of August 1, 2015. This includes the Company's equity investment of $32 million and the Company's estimated maximum potential loss from its guarantees related to EG's construction loan of $10 million. The estimated fair value of these guarantee obligations is not significant as of August 1, 2015.

7. 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 second quarter of 2015, the Company's effective tax rate was 37.4% compared to 36.4% in the second quarter of 2014. The second quarter 2015 rate was lower than the Company's combined estimated federal and state statutory rate primarily due to foreign earnings taxed at a rate lower than our combined estimated federal and state rate. The second quarter 2014 rate was lower than the Company's combined estimated federal and state statutory rate primarily due to the resolution of certain tax matters.

For year-to-date 2015, the Company's effective tax rate was 34.6% compared to 37.4% year-to-date of 2014. The year-to-date 2015 rate was lower than the Company's combined estimated federal and state statutory rate primarily due to the foreign portion of the divestiture of our third-party apparel sourcing business. The year-to-date 2014 rate was lower than the Company's combined estimated federal and state statutory rate primarily due to the resolution of certain tax matters.

As of August 1, 2015, any unrecognized deferred income tax liability resulting from the Company's undistributed foreign earnings from non-U.S. subsidiaries is not expected to reverse in the foreseeable future; furthermore, the undistributed foreign earnings are permanently reinvested. If the Company elects to distribute these foreign earnings in the future, they could be subject to additional income taxes. Determination of the amount of any unrecognized deferred income tax liability on these undistributed foreign earnings is not practicable because such liability, if any, is dependent on circumstances existing if and when remittance occurs.

Income taxes paid were approximately $182 million and $172 million for the second quarter of 2015 and 2014, respectively. Income taxes paid were approximately $370 million and $369 million for year-to-date 2015 and 2014, respectively.

8. Long-term Debt

The following table provides the Company's long-term debt balance as of August 1, 2015, January 31, 2015 and August 2, 2014:

	August 1, 2015	January 31, 2015	August 2, 2014
		(in millions)	
Senior Unsecured Debt with Subsidiary Guarantee			
$1 billion, 5.625% Fixed Interest Rate Notes due February 2022 ("2022 Notes")	$ 1,000	$ 1,000	$ 1,000
$1 billion, 6.625% Fixed Interest Rate Notes due April 2021 ("2021 Notes")	1,000	1,000	1,000
$500 million, 5.625% Fixed Interest Rate Notes due October 2023 ("2023 Notes")	500	500	500
$500 million, 8.50% Fixed Interest Rate Notes due June 2019, Less Unamortized Discount ("2019 Notes")(a)	499	501	494
$400 million, 7.00% Fixed Interest Rate Notes due May 2020 ("2020 Notes")	400	400	400
Total Senior Unsecured Debt with Subsidiary Guarantee	$ 3,399	$ 3,401	$ 3,394
Senior Unsecured Debt			
$700 million, 6.90% Fixed Interest Rate Notes due July 2017, Less Unamortized Discount ("2017 Notes")(b)	$ 711	$ 715	$ 715
$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")(c)	—	—	214
Total Senior Unsecured Debt	$ 1,360	$ 1,364	$ 1,578
Total	$ 4,759	$ 4,765	$ 4,972
Current Portion of Long-term Debt	—	—	(214)
Total Long-term Debt, Net of Current Portion	$ 4,759	$ 4,765	$ 4,758

(a) The balances include a fair value interest rate hedge adjustment which increased the debt balance by $5 million as of August 1, 2015, $8 million as of January 31, 2015 and $2 million as of August 2, 2014.

(b) The balances include a fair value interest rate hedge adjustment which increased the debt balance by $11 million as of August 1, 2015, $15 million as of January 31, 2015 and $16 million as of August 2, 2014.

(c) The outstanding principal balance was $213 million as of August 2, 2014. The total balance includes a fair value interest rate hedge adjustment which increased the debt balance by $1 million as of August 2, 2014.

Repayment of Notes

In November 2014, the Company repaid the remaining $213 million of its 5.25% Senior Unsecured Notes due November 2014 with cash on hand.

Revolving Facility

The Company maintains a secured revolving credit facility ("Revolving Facility"). The Revolving Facility has aggregate availability of $1 billion and expires July 18, 2019. The fees related to committed and unutilized amounts are 0.30% per annum, and the fees related to outstanding letters of credit are 1.50% per annum. In addition, the interest rate on outstanding U.S. dollar borrowings or British pound borrowings is London Interbank Offered Rate ("LIBOR") plus 1.50% per annum. The interest rate on outstanding Canadian dollar borrowings is Canadian Dollar Offered Rate ("CDOR") plus 1.50% per annum.

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 August 1, 2015, 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 August 1, 2015, 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 $19 million of outstanding letters of credit as of August 1, 2015 that reduce its remaining availability under the Revolving Facility.

Fair Value Interest Rate Swap Arrangements

For information related to the Company's fair value interest rate swap arrangements, see Note 9, "Derivative Instruments."

9. Derivative Instruments

Foreign Exchange Risk

The Company has entered into cross-currency swaps related to approximately CAD$270 million of intercompany loans. These swaps mature in January 2016 and January 2018 at the same time as the related loans and are designated as cash flow hedges of foreign currency exchange risk. The swaps mitigate the exposure to fluctuations in the U.S. dollar-Canadian dollar exchange rate related to the Company's Canadian operations. The 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. 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 August 1, 2015, January 31, 2015 and August 2, 2014:

	August 1, 2015	January 31, 2015	August 2, 2014
		(in millions)	
Other Long-term Assets	$ 25	$ 21	$ —
Other Long-term Liabilities	—	—	26

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 second quarter and year-to-date 2015 and 2014:

	Location	Second Quarter 2015	Second Quarter 2014	Year-to-Date 2015	Year-to-Date 2014
			(in millions)		
Gain (Loss) Recognized in Other Comprehensive Income	Other Comprehensive Income (Loss)	$ 14	$ (5)	$ 4	$ (13)
(Gain) Loss Reclassified from Accumulated Other Comprehensive Income (Loss) into Other Income (Loss) (a)	Other Income (Loss)	(27)	2	(10)	8

(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

In July 2014, the Company entered into interest rate swap arrangements related to $100 million of the outstanding 2017 Notes and $100 million of the outstanding 2019 Notes. In 2013, the Company entered into interest rate swap arrangements related to $200 million of the outstanding 2017 Notes and $200 million of the outstanding 2019 Notes. The interest rate swap arrangements effectively convert the fixed interest rate on the related debt to a variable interest rate based on LIBOR plus a fixed percentage.

The swap arrangements are designated as fair value hedges. The changes in the fair value of the interest rate swaps have 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 is accrued and recognized as an adjustment to interest expense.

In the past, the Company had entered into interest rate swap arrangements on the 2014 and 2017 Notes. In 2012, the Company terminated these interest rate designated fair value hedges. The carrying values of these Notes include unamortized hedge settlements which are amortized as a reduction to interest expense through the respective maturity date of the 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 August 1, 2015, January 31, 2015 and August 2, 2014:

	August 1, 2015	January 31, 2015	August 2, 2014
		(in millions)	
Other Assets	$ 7	$ 12	$ 3

10. Fair Value Measurements

The following table provides a summary of the carrying value and estimated fair value of long-term debt as of August 1, 2015, January 31, 2015 and August 2, 2014:

	August 1, 2015	January 31, 2015	August 2, 2014
		(in millions)	
Carrying Value	$ 4,759	$ 4,765	$ 4,972
Estimated Fair Value (a)	5,233	5,305	5,443

(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 August 1, 2015, January 31, 2015 and August 2, 2014:

	Level 1	Level 2	Level 3	Total
		(in millions)		
As of August 1, 2015				
Assets:				
Cash and Cash Equivalents	$ 780	$ —	$ —	$ 780
Marketable Securities	50	—	—	50
Interest Rate Designated Fair Value Hedges	—	7	—	7
Cross-currency Cash Flow Hedges	—	25	—	25
As of January 31, 2015				
Assets:				
Cash and Cash Equivalents	$ 1,681	$ —	$ —	$ 1,681
Interest Rate Designated Fair Value Hedges	—	12	—	12
Cross-currency Cash Flow Hedges	—	21	—	21
Liabilities:				
Lease Guarantees	—	—	1	1
As of August 2, 2014				
Assets:				
Cash and Cash Equivalents	$ 1,147	$ —	$ —	$ 1,147
Interest Rate Designated Fair Value Hedges	—	3	—	3
Liabilities:				
Cross-currency Cash Flow Hedges	—	26	—	26
Lease Guarantees	—	—	1	1

The Company's Level 1 fair value measurements use unadjusted quoted prices in active markets for identical assets. In March 2015, the Company invested in marketable securities which consist of U.S. Treasury Bills. These securities are classified as Level 1 fair value measurements as they are traded with sufficient frequency and volume to enable the Company to obtain pricing information on an ongoing basis.

The marketable securities have an original maturity greater than 90 days but less than one year and are classified as available-for-sale. Available-for-sale securities are recorded at fair value, and unrealized holding gains and losses are recorded, net of tax, as a component of accumulated other comprehensive income. Unrealized holding gains were not significant as of August 1, 2015.

The Company’s Level 2 fair value measurements use 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 use income approach valuation techniques. The primary inputs to these techniques include the guaranteed lease payments, residual values, discount rates, as well as the Company’s assessment of the risk of default on guaranteed leases and the assessment of the risk of decline in residual value on the residual value guarantees.

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 second quarter and year-to-date 2015 and 2014:

	Second Quarter		Year-to-Date	
	2015	2014	2015	2014
	(in millions)			
Beginning Balance	$ —	$ 1	$ 1	$ 1
Change in Estimated Fair Value Reported in Earnings	—	—	(1)	—
Ending Balance	$ —	$ 1	$ —	$ 1

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 and the discount rate utilized. For additional information, see Note 12, "Commitments and Contingencies."

11. Comprehensive Income

The following table provides the rollforward of accumulated other comprehensive income for year-to-date 2015:

	Foreign Currency Translation	Cash Flow Hedges	Accumulated Other Comprehensive Income
		(in millions)	
Balance as of January 31, 2015	$ 51	$ (16)	$ 35
Other Comprehensive Income Before Reclassifications	12	4	16
Amounts Reclassified from Accumulated Other Comprehensive Income	—	(10)	(10)
Current-period Other Comprehensive Income (Loss)	12	(6)	6
Balance as of August 1, 2015	$ 63	$ (22)	$ 41

The following table provides the rollforward of accumulated other comprehensive income for year-to-date 2014:

	Foreign Currency Translation	Cash Flow Hedges	Accumulated Other Comprehensive Income
		(in millions)	
Balance as of February 1, 2014	$ 30	$ 10	$ 40
Other Comprehensive Income Before Reclassifications	(3)	(13)	(16)
Amounts Reclassified from Accumulated Other Comprehensive Income	—	8	8
Current-period Other Comprehensive Loss	(3)	(5)	(8)
Balance as of August 2, 2014	$ 27	$ 5	$ 32

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

The following table provides a summary of the reclassification adjustments out of accumulated other comprehensive income for the second quarter and year-to-date 2015 and 2014:

Details About Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income				Location on Consolidated Statement of Income
	Second Quarter		Year-to-Date		
	2015	2014	2015	2014	
	(in millions)				
Cash Flow Hedges (Gain) Loss	$ (27)	$ 2	$ (10)	$ 8	Other Income (Loss)
	—	—	—	—	Provision for Income Taxes
	$ (27)	$ 2	$ (10)	$ 8	Net Income

12. 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.

Guarantees

In connection with the disposition of certain businesses, the Company has remaining guarantees of approximately $18 million related to lease payments of Express, Limited Stores, Dick's Sporting Goods and New York & Company under the current terms of noncancelable leases expiring at various dates through 2018. 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 accounting principles generally accepted in the United States of America ("GAAP") in effect at the time of these divestitures. The guaranteed lease payments related to Express, Limited Stores and New York & Company totaled $7 million as of August 1, 2015, $11 million as of January 31, 2015 and $16 million as of August 2, 2014. The estimated fair value of these guarantee obligations was $300 thousand as of August 1, 2015 and $1 million as of January 31, 2015 and August 2, 2014, and is included in Other Long-term Liabilities on the Consolidated Balance Sheets.

The Company's guarantees related to 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 August 1, 2015, January 31, 2015 and August 2, 2014.

In connection with the Company's investment in ETC, the Company provided a guarantee of payment to an interest rate swap counterparty for amounts owed by ETC, if any, upon settlement in February 2017. The estimated fair value of this guarantee obligation is not significant as of August 1, 2015. For additional information, see Note 6, "Equity Investments and Other."

In connection with the Company's investment in EG, an entity that owns and is developing a commercial shopping center in the Easton community, the Company, along with an unaffiliated member, provided a guarantee of interest, certain expenses and a completion guarantee on the construction of the commercial shopping center. The estimated fair value of these guarantee obligations is not significant as of August 1, 2015. For additional information, see Note 6, "Equity Investments and Other."

In 2015, in connection with the sale and leaseback under noncancellable operating leases of certain assets, the Company provided residual value guarantees to the lessor if the leased assets cannot be sold for an amount in excess of a specified minimum value at the conclusion of the lease term. The leases expire in 2020, and the total amount of the guarantees is approximately $66 million. The estimated fair value of these guarantee obligations is not significant as of August 1, 2015.

Subsequent to August 1, 2015, the Company completed a sale and leaseback transaction of an additional asset under a non-cancellable operating lease. The Company provided a residual value guarantee of $29 million to the lessor if the leased asset cannot be sold for an amount in excess of a specified minimum value at the conclusion of the lease term. The fair value, if any, of the guarantee will be recognized in the third quarter of 2015.

13. 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 U.S. 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 $14 million for the second quarter of 2015 and 2014. Total expense recognized related to the qualified plan was $31 million for year-to-date 2015 and $30 million for year-to-date 2014.

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 $6 million for the second quarter of 2015 and 2014. Total expense recognized related to the non-qualified plan was $13 million for year-to-date 2015 and $12 million for year-to-date 2014.

14. Segment Information

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

The Victoria's Secret segment sells women's intimate and other apparel and personal care and beauty products under the Victoria's Secret and PINK brand names. Victoria's Secret merchandise is sold through retail stores located in the U.S. and Canada and its website, *www.VictoriasSecret.com*.

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

The Victoria's Secret and Bath & Body Works International segment includes the Victoria's Secret and Bath & Body Works company-owned and partner-operated stores located outside of the U.S. and Canada. These businesses include the following:

- Victoria's Secret Beauty and Accessories stores operated by partners under franchise, license and wholesale arrangements, which feature Victoria's Secret branded beauty and accessories products;
- Victoria's Secret International stores, comprised of company-owned stores in the U.K., as well as stores operated by partners under franchise, license and wholesale arrangements; and
- Bath & Body Works International stores operated by partners under franchise, license and wholesale arrangements.

Other consists of the following:

- Mast Global, a merchandise sourcing and production function serving the Company and its international partners;
- La Senza, comprised of company-owned stores in Canada, as well as stores operated by partners under franchise, license and wholesale arrangements, which feature women's intimate apparel;
- Henri Bendel, operator of 29 specialty stores, which feature handbags, jewelry and other accessory 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 second quarter and year-to-date 2015 and 2014:

	Victoria’s Secret	Bath & Body Works	Victoria’s Secret and Bath & Body Works International	Other	Total
			(in millions)		
2015					
Second Quarter:					
Net Sales	$ 1,806	$ 748	$ 89	$ 122	$ 2,765
Operating Income (Loss)	298	138	20	(53)	403
Year-to-Date:					
Net Sales	$ 3,490	$ 1,361	$ 181	$ 245	$ 5,277
Operating Income (Loss)	587	235	41	(88)	775
2014					
Second Quarter:					
Net Sales	$ 1,745	$ 704	$ 80	$ 146	$ 2,675
Operating Income (Loss)	293	115	17	(49)	376
Year-to-Date:					
Net Sales	$ 3,349	$ 1,286	$ 151	$ 280	$ 5,066
Operating Income (Loss)	571	195	32	(86)	712

The Company's international sales include sales from company-owned stores, royalty revenue from franchise and license arrangements, wholesale revenues and direct sales shipped internationally. Certain of these sales are subject to the impact of fluctuations in foreign currency. The Company’s international sales across all segments totaled $313 million and $339 million for the second quarter of 2015 and 2014, respectively. The Company’s international sales across all segments totaled $606 million and $634 million for year-to-date 2015 and 2014, respectively.

15. Subsequent Events

Subsequent to August 1, 2015, the Company repurchased an additional 0.7 million shares of common stock for $61 million under the June 2015 repurchase program. For additional information, see Note 3, "Earnings Per Share and Shareholders' Equity (Deficit)."

Subsequent to August 1, 2015, the Company completed a sale and leaseback transaction of a certain asset under a non-cancellable operating lease. For additional information, see Note 5, "Property and Equipment, Net" and Note 12, "Commitments and Contingencies."

16. Supplemental Guarantor Financial Information

The Company’s 2019 Notes, 2020 Notes, 2021 Notes, 2022 Notes and 2023 Notes are jointly and severally guaranteed on a full and unconditional basis by certain of the Company’s 100% owned subsidiaries ("Guarantors"). 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 August 1, 2015, January 31, 2015 and August 2, 2014 and the Condensed Consolidating Statements of Income, Comprehensive Income and Cash Flows for the periods ended August 1, 2015 and August 2, 2014. In the fourth quarter 2014, the Company added a subsidiary to the Guarantors. Accordingly, the supplemental financial information has been recast for all periods presented.

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

	August 1, 2015				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ —	$ 453	$ 327	$ —	$ 780
Marketable Securities	—	50	—	—	50
Accounts Receivable, Net	1	201	55	—	257
Inventories	—	980	126	—	1,106
Deferred Income Taxes	—	37	(2)	—	35
Other	1	141	128	—	270
Total Current Assets	2	1,862	634	—	2,498
Property and Equipment, Net	—	1,485	790	—	2,275
Goodwill	—	1,318	—	—	1,318
Trade Names and Other Intangible Assets, Net	—	411	—	—	411
Net Investments in and Advances to/from Consolidated Affiliates	3,979	15,589	1,642	(21,210)	—
Other Assets	179	40	695	(612)	302
Total Assets	$ 4,160	$ 20,705	$ 3,761	$ (21,822)	$ 6,804
LIABILITIES AND EQUITY (DEFICIT)					
Current Liabilities:					
Accounts Payable	$ 7	$ 385	$ 333	$ —	$ 725
Accrued Expenses and Other	85	500	255	—	840
Income Taxes	—	—	5	—	5
Total Current Liabilities	92	885	593	—	1,570
Deferred Income Taxes	(3)	(26)	302	—	273
Long-term Debt	4,759	597	—	(597)	4,759
Other Long-term Liabilities	—	619	243	(13)	849
Total Equity (Deficit)	(688)	18,630	2,623	(21,212)	(647)
Total Liabilities and Equity (Deficit)	$ 4,160	$ 20,705	$ 3,761	$ (21,822)	$ 6,804

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

	January 31, 2015				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ —	$ 1,462	$ 219	$ —	$ 1,681
Accounts Receivable, Net	1	197	54	—	252
Inventories	—	919	117	—	1,036
Deferred Income Taxes	—	34	(1)	—	33
Other	—	146	84	—	230
Total Current Assets	1	2,758	473	—	3,232
Property and Equipment, Net	—	1,385	892	—	2,277
Goodwill	—	1,318	—	—	1,318
Trade Names and Other Intangible Assets, Net	—	411	—	—	411
Net Investments in and Advances to/from Consolidated Affiliates	4,635	14,003	1,405	(20,043)	—
Other Assets	188	35	693	(610)	306
Total Assets	$ 4,824	$ 19,910	$ 3,463	$ (20,653)	$ 7,544
LIABILITIES AND EQUITY (DEFICIT)					
Current Liabilities:					
Accounts Payable	$ —	$ 300	$ 313	$ —	$ 613
Accrued Expenses and Other	83	495	322	—	900
Income Taxes	(4)	183	(13)	—	166
Total Current Liabilities	79	978	622	—	1,679
Deferred Income Taxes	(4)	(32)	297	—	261
Long-term Debt	4,765	597	—	(597)	4,765
Other Long-term Liabilities	—	609	224	(13)	820
Total Equity (Deficit)	(16)	17,758	2,320	(20,043)	19
Total Liabilities and Equity (Deficit)	$ 4,824	$ 19,910	$ 3,463	$ (20,653)	$ 7,544

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

	August 2, 2014				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ —	$ 920	$ 227	$ —	$ 1,147
Accounts Receivable, Net	1	175	57	—	233
Inventories	—	947	128	—	1,075
Deferred Income Taxes	—	43	(16)	—	27
Other	—	131	86	—	217
Total Current Assets	1	2,216	482	—	2,699
Property and Equipment, Net	—	1,295	869	—	2,164
Goodwill	—	1,318	—	—	1,318
Trade Names and Other Intangible Assets, Net	—	411	—	—	411
Net Investments in and Advances to/from Consolidated Affiliates	4,337	15,123	1,158	(20,618)	—
Other Assets	184	21	685	(612)	278
Total Assets	$ 4,522	$ 20,384	$ 3,194	$ (21,230)	$ 6,870
LIABILITIES AND EQUITY (DEFICIT)					
Current Liabilities:					
Accounts Payable	$ —	$ 361	$ 261	$ —	$ 622
Accrued Expenses and Other	88	413	242	—	743
Current Portion of Long-term Debt	214	—	—	—	214
Income Taxes	—	(12)	13	—	1
Total Current Liabilities	302	762	516	—	1,580
Deferred Income Taxes	(4)	(18)	251	—	229
Long-term Debt	4,758	597	—	(597)	4,758
Other Long-term Liabilities	1	586	233	(14)	806
Total Equity (Deficit)	(535)	18,457	2,194	(20,619)	(503)
Total Liabilities and Equity (Deficit)	$ 4,522	$ 20,384	$ 3,194	$ (21,230)	$ 6,870

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

	Second Quarter 2015				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Sales	$ —	$ 2,588	$ 814	$ (637)	$ 2,765
Costs of Goods Sold, Buying and Occupancy	—	(1,607)	(705)	661	(1,651)
Gross Profit	—	981	109	24	1,114
General, Administrative and Store Operating Expenses	(2)	(629)	(106)	26	(711)
Operating Income (Loss)	(2)	352	3	50	403
Interest Expense	(78)	(4)	(3)	7	(78)
Other Income	—	—	(2)	—	(2)
Income (Loss) Before Income Taxes	(80)	348	(2)	57	323
Provision for Income Taxes	—	90	31	—	121
Equity in Earnings (Loss), Net of Tax	282	154	130	(566)	—
Net Income (Loss)	$ 202	$ 412	$ 97	$ (509)	$ 202

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

	Second Quarter 2015				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Income (Loss)	$ 202	$ 412	$ 97	$ (509)	$ 202
Other Comprehensive Income (Loss), Net of Tax:					
Reclassification of Cash Flow Hedges to Earnings	—	—	(27)	—	(27)
Foreign Currency Translation	—	—	22	—	22
Unrealized Loss on Cash Flow Hedges	—	—	14	—	14
Total Other Comprehensive Income (Loss), Net of Tax	—	—	9	—	9
Total Comprehensive Income (Loss)	$ 202	$ 412	$ 106	$ (509)	$ 211

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

	Second Quarter 2014				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Sales	$ —	$ 2,479	$ 773	$ (577)	$ 2,675
Costs of Goods Sold, Buying and Occupancy	—	(1,549)	(630)	548	(1,631)
Gross Profit	—	930	143	(29)	1,044
General, Administrative and Store Operating Expenses	(1)	(593)	(104)	30	(668)
Operating Income (Loss)	(1)	337	39	1	376
Interest Expense	(82)	(8)	(2)	10	(82)
Other Income	—	—	2	—	2
Income (Loss) Before Income Taxes	(83)	329	39	11	296
Provision for Income Taxes	—	56	52	—	108
Equity in Earnings (Loss), Net of Tax	271	79	81	(431)	—
Net Income (Loss)	$ 188	$ 352	$ 68	$ (420)	$ 188

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

	Second Quarter 2014				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Income (Loss)	$ 188	$ 352	$ 68	$ (420)	$ 188
Other Comprehensive Income (Loss), Net of Tax:					
Reclassification of Cash Flow Hedges to Earnings	—	—	2	—	2
Foreign Currency Translation	—	—	(1)	—	(1)
Unrealized Loss on Cash Flow Hedges	—	—	(5)	—	(5)
Total Other Comprehensive Income (Loss), Net of Tax	—	—	(4)	—	(4)
Total Comprehensive Income (Loss)	$ 188	$ 352	$ 64	$ (420)	$ 184

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

	Year-to-Date 2015				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Sales	$ —	$ 4,957	$ 1,630	$ (1,310)	$ 5,277
Costs of Goods Sold, Buying and Occupancy	—	(3,031)	(1,321)	1,245	(3,107)
Gross Profit	—	1,926	309	(65)	2,170
General, Administrative and Store Operating Expenses	(6)	(1,245)	(202)	58	(1,395)
Operating Income (Loss)	(6)	681	107	(7)	775
Interest Expense	(158)	(12)	(5)	17	(158)
Other Income	—	4	72	—	76
Income (Loss) Before Income Taxes	(164)	673	174	10	693
Provision for Income Taxes	—	168	72	—	240
Equity in Earnings (Loss), Net of Tax	617	379	253	(1,249)	—
Net Income (Loss)	$ 453	$ 884	$ 355	$ (1,239)	$ 453

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

	Year-to-Date 2015				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Income (Loss)	$ 453	$ 884	$ 355	$ (1,239)	$ 453
Other Comprehensive Income (Loss), Net of Tax:					
Reclassification of Cash Flow Hedges to Earnings	—	—	(10)	—	(10)
Foreign Currency Translation	—	—	12	—	12
Unrealized Loss on Cash Flow Hedges	—	—	4	—	4
Total Other Comprehensive Income (Loss), Net of Tax	—	—	6	—	6
Total Comprehensive Income (Loss)	$ 453	$ 884	$ 361	$ (1,239)	$ 459

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

	Year-to-Date 2014				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Sales	$ —	$ 4,710	$ 1,557	$ (1,201)	$ 5,066
Costs of Goods Sold, Buying and Occupancy	—	(2,908)	(1,277)	1,145	(3,040)
Gross Profit	—	1,802	280	(56)	2,026
General, Administrative and Store Operating Expenses	(4)	(1,161)	(207)	58	(1,314)
Operating Income (Loss)	(4)	641	73	2	712
Interest Expense	(166)	(15)	(4)	19	(166)
Other Income	—	—	5	—	5
Income (Loss) Before Income Taxes	(170)	626	74	21	551
Provision for Income Taxes	(1)	118	89	—	206
Equity in Earnings (Loss), Net of Tax	514	258	250	(1,022)	—
Net Income (Loss)	$ 345	$ 766	$ 235	$ (1,001)	$ 345

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

	Year-to-Date 2014				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Income (Loss)	$ 345	$ 766	$ 235	$ (1,001)	$ 345
Other Comprehensive Income (Loss), Net of Tax:					
Reclassification of Cash Flow Hedges to Earnings	—	—	8	—	8
Foreign Currency Translation	—	—	(3)	—	(3)
Unrealized Loss on Cash Flow Hedges	—	—	(13)	—	(13)
Total Other Comprehensive Income (Loss), Net of Tax	—	—	(8)	—	(8)
Total Comprehensive Income (Loss)	345	766	227	(1,001)	337

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

	Year-to-Date 2015				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Cash Provided by (Used for) Operating Activities	$ (147)	$ 481	$ 41	$ —	$ 375
Investing Activities:					
Capital Expenditures	—	(254)	(104)	—	(358)
Proceeds from the Sale of Assets	—	—	135	—	135
Proceeds from Divestiture of Third-party Apparel Sourcing Business	—	1	84	—	85
Purchase of Marketable Securities	—	(50)	—	—	(50)
Other Investing Activities	—	—	1	—	1
Net Cash Provided by (Used for) Investing Activities	—	(303)	116	—	(187)
Financing Activities:					
Repurchase of Common Stock	(295)	—	—	—	(295)
Dividends Paid	(880)	—	—	—	(880)
Excess Tax Benefits from Share-based Compensation	—	53	8	—	61
Net Financing Activities and Advances to/from Consolidated Affiliates	1,299	(1,240)	(59)	—	—
Proceeds from Exercise of Stock Options and Other	23	—	—	—	23
Net Cash Provided by (Used for) Financing Activities	147	(1,187)	(51)	—	(1,091)
Effects of Exchange Rate Changes on Cash and Cash Equivalents	—	—	2	—	2
Net Increase (Decrease) in Cash and Cash Equivalents	—	(1,009)	108	—	(901)
Cash and Cash Equivalents, Beginning of Period	—	1,462	219	—	1,681
Cash and Cash Equivalents, End of Period	$ —	$ 453	$ 327	$ —	$ 780

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

	Year-to-Date 2014				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Cash Provided by (Used for) Operating Activities	$ (172)	$ 514	$ 104	$ —	$ 446
Investing Activities:					
Capital Expenditures	—	(248)	(101)	—	(349)
Other Investing Activities	—	—	15	—	15
Net Cash Used for Investing Activities	—	(248)	(86)	—	(334)
Financing Activities:					
Borrowings from Revolving Facility	—	—	5	—	5
Repayments on Revolving Facility	—	—	(5)	—	(5)
Repurchase of Common Stock	(48)	—	—	—	(48)
Dividends Paid	(491)	—	—	—	(491)
Excess Tax Benefits from Share-based Compensation	—	31	6	—	37
Net Financing Activities and Advances to/from Consolidated Affiliates	694	(730)	36	—	—
Proceeds from Exercise of Stock Options and Other	22	—	—	—	22
Financing Costs	(5)	—	—	—	(5)
Net Cash Provided by (Used for) Financing Activities	172	(699)	42	—	(485)
Effects of Exchange Rate Changes on Cash and Cash Equivalents	—	—	1	—	1
Net Increase (Decrease) in Cash and Cash Equivalents	—	(433)	61	—	(372)
Cash and Cash Equivalents, Beginning of Period	—	1,353	166	—	1,519
Cash and Cash Equivalents, End of Period	$ —	$ 920	$ 227	$ —	$ 1,147

Review Report of Independent Registered Public Accounting Firm

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

We have reviewed the consolidated balance sheets of L Brands, Inc. and subsidiaries as of August 1, 2015 and August 2, 2014, and the related consolidated statements of income, comprehensive income and cash flows for the thirteen and twenty-six week periods ended August 1, 2015 and August 2, 2014. These financial statements are the responsibility of the Company's management.

We conducted our review 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 (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the 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 L Brands, Inc. and subsidiaries as of January 31, 2015, and the related consolidated statements of income, comprehensive income, total equity (deficit), and cash flows for the year then ended (not presented herein) and we expressed an unqualified audit opinion on those consolidated financial statements in our report dated March 20, 2015. In our opinion, the accompanying consolidated balance sheet of L Brands, Inc. and subsidiaries as of January 31, 2015, 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
September 4, 2015

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION ACT OF 1995

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

L 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 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 global markets and related risks;
- our relationships with independent franchise, license and wholesale partners;
- our direct channel businesses;
- 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 ability to source, distribute and sell goods and materials on a global basis, including risks related to:
  - political instability;
  - duties, taxes and other charges;
  - legal and regulatory matters;
  - volatility in currency exchange rates;
  - local business practices and political issues;
  - potential delays or disruptions in shipping and transportation and related pricing impacts;
  - disruption due to labor disputes; and
  - changing expectations regarding product safety due to new legislation;
- fluctuations in foreign currency exchange rates;
- stock price volatility;
- our failure to maintain our credit rating;
- our ability to service or refinance our debt;
- our ability to retain key personnel;
- our ability to attract, develop and retain qualified employees and manage labor-related 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 and to protect associated data;
- our failure to maintain the security of customer, associate, supplier or company information;
- 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 2014 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 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

In the second quarter of 2015, our operating income increased $27 million, or 7%, to $403 million, and our operating income rate increased to 14.6% from 14.1%. Net sales increased $90 million to $2.765 billion, and comparable store sales increased 4%. At Victoria's Secret, net sales increased 3%, and operating income increased 2%. At Bath & Body Works, net sales increased 6%, and operating income increased 20%. At Victoria's Secret and Bath & Body Works International, net sales increased 12%, and operating income increased 19%. For additional information related to our second quarter 2015 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 manage our business carefully and focus on the execution of the retail fundamentals.

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

Adjusted Financial Information

In addition to our results provided in accordance with GAAP above and throughout this Form 10-Q, provided below are non-GAAP measurements which present net income and earnings per share in 2015 on an adjusted basis which removes certain special items. We believe that these special items are not indicative of our ongoing operations due to their size and nature. We use adjusted financial information as key performance measures of results of operations for the purpose of evaluating performance internally. These non-GAAP measurements are not intended to replace the presentation of our financial results in accordance with GAAP. Instead, we believe that the presentation of adjusted financial information provides additional information to investors to facilitate the comparison of past and present operations. Further, our definition of adjusted financial information may differ from similarly titled measures used by other companies. The table below reconciles the GAAP financial measures to the non-GAAP financial measures.

	Year-to-Date	
	2015	2014
	(in millions)	
Detail of Special Items included in Other Income - Income (Expense)		
Gain on Divestiture of Third-Party Apparel Sourcing Business (a)	$ 78	$ —
Total Special Items included in Other Income	$ 78	$ —
Detail of Special Items included in Provision for Income Taxes - Benefit (Provision)		
Tax effect of Special Items included in Other Income	$ (9)	$ —
Total Special Items included in Provision for Income Taxes	$ (9)	$ —
Reconciliation of Reported Net Income to Adjusted Net Income		
Reported Net Income	$ 453	$ 345
Special Items included in Net Income	(69)	—
Adjusted Net Income	$ 384	$ 345
Reconciliation of Reported Earnings Per Share to Adjusted Earnings Per Share		
Reported Earnings Per Share	$ 1.52	$ 1.16
Special Items included in Earnings Per Share	(0.23)	—
Adjusted Earnings Per Share	$ 1.29	$ 1.16

(a) In the first quarter of 2015, we divested our remaining ownership interest in our third-party apparel sourcing business. We received cash proceeds of $85 million and recognized a pre-tax gain of $78 million (after-tax gain of $69 million). For additional information see Note 6, "Equity Investments and Other" included in Item 1. Financial Statements.

Company-Owned Store Data

The following table compares the second quarter of 2015 company-owned store data to the second quarter of 2014 and year-to-date 2015 store data to year-to-date 2014:

	Second Quarter			Year-to-Date		
	2015	2014	% Change	2015	2014	% Change
Sales per Average Selling Square Foot						
Victoria's Secret U.S.	$ 205	$ 202	1%	$ 398	$ 389	2%
Bath & Body Works U.S.	171	163	5%	313	298	5%
Sales per Average Store (in thousands)						
Victoria's Secret U.S.	$ 1,246	$ 1,216	2%	$ 2,425	$ 2,340	4%
Bath & Body Works U.S.	404	385	5%	738	704	5%
Average Store Size (selling square feet)						
Victoria's Secret U.S.	6,107	6,021	1%			
Bath & Body Works U.S.	2,362	2,357	—%			
Total Selling Square Feet (in thousands)						
Victoria's Secret U.S.	6,749	6,473	4%			
Bath & Body Works U.S.	3,697	3,665	1%			

The following table compares second quarter of 2015 company-owned store data to the second quarter of 2014 and year-to-date 2015 store data to year-to-date 2014:

	Second Quarter		Year-to-Date	
Number of Stores	2015	2014	2015	2014
Victoria's Secret U.S.				
Beginning of Period	1,104	1,065	1,098	1,060
Opened	4	11	11	18
Closed	(3)	(1)	(4)	(3)
End of Period	1,105	1,075	1,105	1,075
Victoria's Secret Canada				
Beginning of Period	42	35	41	34
Opened	1	3	2	4
Closed	—	—	—	—
End of Period	43	38	43	38
Bath & Body Works U.S.				
Beginning of Period	1,559	1,553	1,558	1,559
Opened	7	3	10	4
Closed	(1)	(1)	(3)	(8)
End of Period	1,565	1,555	1,565	1,555
Bath & Body Works Canada				
Beginning of Period	89	81	88	79
Opened	2	4	3	7
Closed	—	—	—	(1)
End of Period	91	85	91	85
Victoria's Secret U.K.				
Beginning of Period	10	7	10	5
Opened	—	—	—	2
Closed	—	—	—	—
End of Period	10	7	10	7
La Senza				
Beginning of Period	133	153	145	157
Opened	—	—	—	—
Closed	—	—	(12)	(4)
End of Period	133	153	133	153
Henri Bendel				
Beginning of Period	29	29	29	29
Opened	—	—	—	—
Closed	—	—	—	—
End of Period	29	29	29	29
Total				
Beginning of Period	2,966	2,923	2,969	2,923
Opened	14	21	26	35
Closed	(4)	(2)	(19)	(16)
End of Period	2,976	2,942	2,976	2,942

Noncompany-Owned Store Data

The following table compares the second quarter of 2015 noncompany-owned store data to the second quarter of 2014 and year-to-date 2015 store data to year-to-date 2014:

	Second Quarter		Year-to-Date	
Number of Stores	2015	2014	2015	2014
Victoria's Secret Beauty & Accessories				
Beginning of Period	304	209	290	198
Opened	23	21	38	34
Closed	(2)	—	(3)	(2)
End of Period	325	230	325	230
Victoria's Secret				
Beginning of Period	15	6	14	4
Opened	2	2	3	4
Closed	—	—	—	—
End of Period	17	8	17	8
Bath & Body Works				
Beginning of Period	91	59	80	55
Opened	10	7	23	11
Closed	—	—	(2)	—
End of Period	101	66	101	66
La Senza				
Beginning of Period	258	328	266	331
Opened	1	2	1	2
Closed	(26)	(23)	(34)	(26)
End of Period	233	307	233	307
Total				
Beginning of Period	668	602	650	588
Opened	36	32	65	51
Closed	(28)	(23)	(39)	(28)
End of Period	676	611	676	611

Results of Operations

Second Quarter of 2015 Compared to Second Quarter of 2014

Operating Income

The following table provides our segment operating income (loss) and operating income rates (expressed as a percentage of net sales) for the second quarter of 2015 in comparison to the second quarter of 2014:

			Operating Income Rate	
	2015	2014	2015	2014
Second Quarter	(in millions)			
Victoria's Secret	$ 298	$ 293	16.5 %	16.8 %
Bath & Body Works	138	115	18.4 %	16.3 %
Victoria's Secret and Bath & Body Works International	20	17	22.8 %	21.3 %
Other (a)	(53)	(49)	(43.0)%	(33.3)%
Total Operating Income	$ 403	$ 376	14.6 %	14.1 %

(a) Includes Mast Global, La Senza, Henri Bendel and Corporate.

For the second quarter of 2015, operating income increased $27 million, or 7%, to $403 million, and the operating income rate increased to 14.6% from 14.1%. The drivers of the operating income results are discussed in the following sections.

Net Sales

The following table provides net sales for the second quarter of 2015 in comparison to the second quarter of 2014:

Second Quarter	2015	2014	% Change
	(in millions)		
Victoria’s Secret Stores (a)	$ 1,437	$ 1,363	5 %
Victoria’s Secret Direct	369	382	(4)%
Total Victoria’s Secret	1,806	1,745	3 %
Bath & Body Works Stores (a)	672	638	5 %
Bath & Body Works Direct	76	66	15 %
Total Bath & Body Works	748	704	6 %
Victoria’s Secret and Bath & Body Works International (b)	89	80	12 %
Other (c)	122	146	(16)%
Total Net Sales	$ 2,765	$ 2,675	3 %

(a) Includes company-owned stores in the U.S. and Canada.
(b) Includes Victoria's Secret and Bath & Body Works company-owned and partner-operated stores outside of the U.S. and Canada.
(c) Includes Mast Global, La Senza, Henri Bendel and Corporate.

The following table provides a reconciliation of net sales for the second quarter of 2015 to the second quarter of 2014:

Second Quarter	Victoria’s Secret	Bath & Body Works	Victoria’s Secret and Bath & Body Works International	Other	Total
			(in millions)		
2014 Net Sales	$ 1,745	$ 704	$ 80	$ 146	$ 2,675
Comparable Store Sales	33	31	2	1	67
Sales Associated with New, Closed and Non-comparable Remodeled Stores, Net	49	8	6	(8)	55
Foreign Currency Translation	(8)	(5)	(3)	(9)	(25)
Direct Channels	(13)	10	—	2	(1)
International Wholesale, Royalty and Other	—	—	4	(10)	(6)
2015 Net Sales	$ 1,806	$ 748	$ 89	$ 122	$ 2,765

The following table compares the second quarter of 2015 comparable store sales to the second quarter of 2014:

Second Quarter	2015	2014
Victoria’s Secret Stores (a) (b)	3%	3%
Bath & Body Works (a) (b)	5%	3%
Total Comparable Store Sales (b) (c)	4%	3%

(a) Includes company-owned stores in the U.S. and Canada.
(b) The percentage change in comparable store sales represents the change in sales at comparable stores only and excludes the change in sales from our direct channels. A store is typically included in the calculation of comparable store sales when it has been open or owned 12 months or more and it has not had a change in selling square footage of 20% or more. Additionally, stores of a given brand are excluded if total selling square footage for the brand in the mall changes by 20% or more through the opening or closing of a second store.
(c) Includes Victoria's Secret U.S., Victoria’s Secret Canada, Bath & Body Works U.S., Bath & Body Works Canada, Victoria's Secret U.K., La Senza and Henri Bendel.

The results by segment are as follows:

Victoria's Secret

For the second quarter of 2015, net sales increased $61 million to $1.806 billion, and comparable store sales increased 3%. The net sales result was primarily driven by:

- At Victoria's Secret Stores, net sales increased 5% due to increases in PINK and core lingerie, driven by a compelling merchandise assortment that incorporated newness, innovation and fashion, as well as in-store execution. These results were partially offset by a decrease in beauty driven by the exit of the make-up category and swim driven by fashion misses.
- At Victoria's Secret Direct, net sales decreased 4% due to the decrease in non go-forward apparel and swim driven by fashion misses. These results were partially offset by increases in core lingerie, PINK and go-forward apparel driven by a compelling merchandise assortment that incorporated newness, innovation and fashion.

The increase in comparable store sales was driven by higher average dollar sales and an increase in total transactions.

Bath & Body Works

For the second quarter of 2015, net sales increased $44 million to $748 million, and comparable store sales increased 5%. At both Bath & Body Works Stores and Bath & Body Works Direct, net sales increased across most categories including Signature Collection, home fragrance and soaps and sanitizers, which all incorporated newness, innovation and fashion.

The increase in comparable store sales was driven by higher average dollar sales and an increase in total transactions.

Victoria's Secret and Bath & Body Works International

For the second quarter of 2015, net sales increased $9 million to $89 million primarily related to company-owned Victoria's Secret stores in the U.K. and additional stores opened by our partners.

Other

For the second quarter of 2015, net sales decreased $24 million to $122 million primarily related to a decrease in net sales at La Senza due to store closures and the negative impacts of foreign currency.

Gross Profit

For the second quarter of 2015, our gross profit increased $70 million to $1.114 billion, and our gross profit rate (expressed as a percentage of net sales) increased to 40.3% from 39.0%, primarily driven by the following:

Victoria's Secret

For the second quarter of 2015, the gross profit increase was primarily driven by:

- 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 was partially offset by higher buying and occupancy expenses due to an increase in occupancy expense driven by investments in store real estate.
- At Victoria's Secret Direct, gross profit increased due to higher merchandise margin dollars primarily due to increases in net sales in the core categories of core lingerie, PINK and go-forward apparel. Buying and occupancy expenses decreased due to a decrease in catalogue costs.

The gross profit rate increase was driven by an increase in the merchandise margin rate at Victoria's Secret Direct due to increased sales in our core categories. The increase in the merchandise margin rate was partially offset by a decrease in the merchandise margin rate at Victoria's Secret Canada due to the negative impacts of foreign currency and an increase in the buying and occupancy expense rate at Victoria's Secret Stores due to deleverage associated with the increase in occupancy expense mentioned above.

Bath & Body Works

For the second quarter of 2015, the gross profit increase was primarily driven by:

- At Bath & Body Works Stores, gross profit increased primarily due to higher merchandise margin dollars related to the increase in net sales and less promotional activity. The increase in merchandise margin was partially offset by higher buying and occupancy expenses due to an increase in occupancy expense driven by higher net sales and investments in store real estate.
- At Bath & Body Works Direct, gross profit increased primarily due to higher merchandise margin dollars as a result of the increase in net sales. The increase in merchandise margin was partially offset by higher buying and occupancy expenses due to higher fulfillment costs as a result of the increase in net sales.

The gross profit rate increase was driven primarily by an increase in the merchandise margin rate due to decreased promotional activity, partially offset by an increase in the buying and occupancy expense rate due to the increases mentioned above.

Victoria's Secret and Bath & Body Works International

For the second quarter of 2015, gross profit increased due to higher merchandise margin dollars as a result of the increase in net sales primarily due to the opening of new stores.

The gross profit rate increase was driven primarily by buying and occupancy expense leverage in our company-owned stores in the U.K.

General, Administrative and Store Operating Expenses

For the second quarter of 2015, our general, administrative and store operating expenses increased $43 million to $711 million primarily driven by an increase in store selling expenses related to higher sales volumes and investments in store selling to improve the customer experience.

The general, administrative and store operating expense rate increased to 25.7% from 25.0% primarily due to deleverage associated with investments in store selling to improve the customer experience.

Other Income and Expense

Interest Expense

The following table provides the average daily borrowings and average borrowing rates for the second quarter of 2015 and 2014:

Second Quarter	2015	2014
Average daily borrowings (in millions)	$ 4,750	$ 4,964
Average borrowing rate (in percentages)	6.62%	6.65%

For the second quarter of 2015, our interest expense decreased $4 million to $78 million primarily due to a decrease in the average borrowings driven by the maturity of our 5.25% Senior Unsecured Notes due November 2014 as well as a decrease in the average borrowing rate.

Other Income

For the second quarter of 2015, our other income decreased $4 million to expense of $2 million primarily driven by the negative impacts of foreign currency.

Provision for Income Taxes

For the second quarter of 2015, our effective tax rate was 37.4% compared to 36.4% in the second quarter of 2014. The second quarter 2015 rate was lower than our combined estimated federal and state statutory rate primarily due to foreign earnings taxed at a rate lower than our combined estimated federal and state rate. The second quarter of 2014 rate was lower than our combined estimated federal and state statutory rate primarily due to the resolution of certain tax matters.

Year-to-Date 2015 Compared to Year-to-Date 2014

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 2015 in comparison to year-to-date 2014:

			Operating Income Rate	
	2015	2014	2015	2014
Year-to-Date	(in millions)			
Victoria’s Secret	$ 587	$ 571	16.8 %	17.0 %
Bath & Body Works	235	195	17.2 %	15.2 %
Victoria’s Secret and Bath & Body Works International	41	32	23.1 %	21.6 %
Other (a)	(88)	(86)	(35.8)%	(30.6)%
Total Operating Income	$ 775	$ 712	14.7 %	14.1 %

(a) Includes Mast Global, La Senza, Henri Bendel and Corporate.

For year-to-date 2015, operating income increased $63 million, or 9%, to $775 million, and the operating income rate increased to 14.7% from 14.1%. 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 2015 in comparison to year-to-date 2014:

Year-to-Date	2015	2014	% Change
	(in millions)		
Victoria's Secret Stores (a)	$ 2,783	$ 2,609	7 %
Victoria's Secret Direct	707	740	(5)%
Total Victoria's Secret	3,490	3,349	4 %
Bath & Body Works Stores (a)	1,226	1,168	5 %
Bath & Body Works Direct	135	118	15 %
Total Bath & Body Works	1,361	1,286	6 %
Victoria's Secret and Bath & Body Works International (b)	181	151	20 %
Other (c)	245	280	(13)%
Total Net Sales	$ 5,277	$ 5,066	4 %

(a) Includes company-owned stores in the U.S. and Canada.
(b) Includes Victoria's Secret and Bath & Body Works company-owned and partner-operated stores outside of the U.S. and Canada.
(c) Includes Mast Global, La Senza, Henri Bendel and Corporate.

The following table provides a reconciliation of net sales for year-to-date 2015 to year-to-date 2014:

Year-to-Date	Victoria's Secret	Bath & Body Works	Victoria's Secret and Bath & Body Works International	Other	Total
			(in millions)		
2014 Net Sales	$ 3,349	$ 1,286	$ 151	$ 280	$ 5,066
Comparable Store Sales	93	52	4	2	151
Sales Associated with New, Closed and Non-comparable Remodeled Stores, Net	95	15	12	(13)	109
Foreign Currency Translation	(14)	(9)	(5)	(15)	(43)
Direct Channels	(33)	17	—	4	(12)
International Wholesale, Royalty and Other	—	—	19	(13)	6
2015 Net Sales	$ 3,490	$ 1,361	$ 181	$ 245	$ 5,277

The following table compares year-to-date 2015 comparable store sales to year-to-date 2014:

Year-to-Date	2015	2014
Victoria's Secret Stores (a) (b)	4%	3%
Bath & Body Works (a) (b)	5%	3%
Total Comparable Store Sales (b) (c)	4%	3%

(a) Includes company-owned stores in the U.S. and Canada.
(b) The percentage change in comparable store sales represents the change in sales at comparable stores only and excludes the change in sales from our direct channels. A store is typically included in the calculation of comparable store sales when it has been open or owned 12 months or more and it has not had a change in selling square footage of 20% or more. Additionally, stores of a given brand are excluded if total selling square footage for the brand in the mall changes by 20% or more through the opening or closing of a second store.
(c) Includes Victoria's Secret U.S., Victoria's Secret Canada, Bath & Body Works U.S., Bath & Body Works Canada, Victoria's Secret U.K., La Senza and Henri Bendel.

The results by segment are as follows:

Victoria's Secret

For year-to-date 2015, net sales increased $141 million to $3.490 billion, and comparable store sales increased 4%. The net sales result was primarily driven by:

- At Victoria's Secret Stores, net sales increased 7% due to increases in PINK, core lingerie and sport, driven by a compelling merchandise assortment that incorporated newness, innovation and fashion. These results were partially offset by a decrease in beauty driven by the exit of the make-up category and swim driven by fashion misses.
- At Victoria's Secret Direct, net sales decreased 5% primarily due to the decrease in non go-forward apparel. These results were partially offset by increases in PINK, core lingerie, go-forward apparel and sport driven by a compelling merchandise assortment that incorporated newness, innovation and fashion.

The increase in comparable store sales was driven by higher average dollar sales.

Bath & Body Works

For year-to-date 2015, net sales increased $75 million to $1.361 billion, and comparable store sales increased 5%. At both Bath & Body Works Stores and Bath & Body Works Direct, net sales increased across most categories including Signature Collection, home fragrance and soaps and sanitizers, which all incorporated newness, innovation and fashion.

The increase in comparable store sales was driven by higher average dollar sales.

Victoria's Secret and Bath & Body Works International

For year-to-date 2015, net sales increased $30 million to $181 million primarily related to growth in our Victoria's Secret Beauty and Accessories concept, company-owned Victoria's Secret stores in the U.K. and additional stores opened by our partners.

Other

For year-to-date 2015, net sales decreased $35 million to $245 million primarily related to a decrease in net sales at La Senza due to store closures and the negative impacts of foreign currency.

Gross Profit

For year-to-date 2015, our gross profit increased $144 million to $2.170 billion, and our gross profit rate (expressed as a percentage of net sales) increased to 41.1% from 40.0%, primarily driven by the following:

Victoria's Secret

For year-to-date 2015, the gross profit increase was primarily driven by:

- At Victoria's Secret Stores, gross profit increased due to higher merchandise margin dollars as a result of the increase in net sales and more full-priced selling. The increase in merchandise margin was partially offset by higher buying and occupancy expenses due to an increase in occupancy expense driven by higher net sales and investments in store real estate.
- At Victoria's Secret Direct, gross profit decreased due to higher buying and occupancy expenses driven by investments in our online customer shopping experience. The gross profit decrease was also due to lower merchandise margin dollars driven by decreases in net sales in non go-forward apparel.

The gross profit rate increase was driven by an increase in the merchandise margin rate due to increased sales in our core categories, partially offset by an increase in the buying and occupancy expense rate due to the expenses mentioned above.

Bath & Body Works

For year-to-date 2015, the gross profit increase was primarily driven by:

- At Bath & Body Works Stores, gross profit increased primarily due to higher merchandise margin dollars related to the increase in net sales and less promotional activity. The increase in merchandise margin was partially offset by higher buying and occupancy expenses due to an increase in occupancy expense driven by higher net sales and investments in store real estate.
- At Bath & Body Works Direct, gross profit increased primarily due to higher merchandise margin dollars as a result of the increase in net sales. The increase in merchandise margin was partially offset by higher buying and occupancy expenses due to higher fulfillment costs as a result of the increase in net sales.

The gross profit rate increase was driven primarily by an increase in the merchandise margin rate due to decreased promotional activity.

Victoria's Secret and Bath & Body Works International

For year-to-date 2015, gross profit increased due to higher merchandise margin dollars primarily as a result of the increase in net sales due to the opening of new stores.

The gross profit rate was flat to last year.

General, Administrative and Store Operating Expenses

For year-to-date 2015, our general, administrative and store operating expenses increased $81 million to $1.395 billion primarily driven by an increase in store selling expenses related to higher sales volumes and investments in store selling to improve the customer experience.

The general, administrative and store operating expense rate increased to 26.4% from 25.9% primarily due to deleverage associated with investments in store selling to improve the customer experience.

Other Income and Expense

Interest Expense

The following table provides the average daily borrowings and average borrowing rates for year-to-date 2015 and 2014:

Year-to-Date	2015	2014
Average daily borrowings (in millions)	$ 4,750	$ 4,964
Average borrowing rate (in percentages)	6.60%	6.65%

For year-to-date 2015, our interest expense decreased $8 million to $158 million primarily due to a decrease in the average borrowings driven by the maturity of our 5.25% Senior Unsecured Notes due November 2014 as well as a decrease in the average borrowing rate.

Other Income

For year-to-date 2015, our other income increased $71 million to $76 million primarily driven by a pre-tax gain of $78 million due to the divestiture of our remaining ownership interest in the third-party apparel sourcing business to Sycamore Partners.

Provision for Income Taxes

For year-to-date 2015, our effective tax rate was 34.6% compared to 37.4% year-to-date 2014. The year-to-date 2015 rate was lower than our combined estimated federal and state statutory rate primarily due to the foreign portion of the divestiture of our third-party apparel sourcing business. The year-to-date 2014 rate was lower than our combined estimated federal and state statutory rate primarily due to 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.

We believe in returning value to our shareholders through a combination of dividends and share repurchase programs. During year-to-date 2015, we have paid $880 million in regular and special dividends and repurchased $302 million of our common stock. We use cash flow generated from operating activities and financing activities to fund our dividends and share repurchase programs.

Our total cash and cash equivalents held by foreign subsidiaries were $325 million as of August 1, 2015. 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 income taxes.

The following table provides our long-term debt balance as of August 1, 2015, January 31, 2015 and August 2, 2014:

	August 1, 2015	January 31, 2015	August 2, 2014
		(in millions)	
Senior Unsecured Debt with Subsidiary Guarantee			
$1 billion, 5.625% Fixed Interest Rate Notes due February 2022 ("2022 Notes")	$ 1,000	$ 1,000	$ 1,000
$1 billion, 6.625% Fixed Interest Rate Notes due April 2021 ("2021 Notes")	1,000	1,000	1,000
$500 million, 5.625% Fixed Interest Rate Notes due October 2023 ("2023 Notes")	500	500	500
$500 million, 8.50% Fixed Interest Rate Notes due June 2019, Less Unamortized Discount ("2019 Notes")(a)	499	501	494
$400 million, 7.00% Fixed Interest Rate Notes due May 2020 ("2020 Notes")	400	400	400
Total Senior Unsecured Debt with Subsidiary Guarantee	$ 3,399	$ 3,401	$ 3,394
Senior Unsecured Debt			
$700 million, 6.90% Fixed Interest Rate Notes due July 2017, Less Unamortized Discount ("2017 Notes")(b)	$ 711	$ 715	$ 715
$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")(c)	—	—	214
Total Senior Unsecured Debt	$ 1,360	$ 1,364	$ 1,578
Total	$ 4,759	$ 4,765	$ 4,972
Current Portion of Long-term Debt	—	—	(214)
Total Long-term Debt	$ 4,759	$ 4,765	$ 4,758

(a) The balances include a fair value interest rate hedge adjustment which increased the debt balance by $5 million as of August 1, 2015, $8 million as of January 31, 2015 and $2 million as of August 2, 2014.
(b) The balances include a fair value interest rate hedge adjustment which increased the debt balance by $11 million as of August 1, 2015, $15 million as of January 31, 2015 and $16 million as of August 2, 2014.
(c) The outstanding principal balance was $213 million as of August 2, 2014. The total balance includes a fair value interest rate hedge adjustment which increased the debt balance by $1 million as of August 2, 2014.

Repayment of Notes

In November 2014, we repaid the remaining $213 million of our 5.25% Senior Unsecured Notes due November 2014 with cash on hand.

Revolving Facility

We maintain a secured revolving credit facility ("Revolving Facility"). The Revolving Facility has aggregate availability of $1 billion and expires July 18, 2019. The fees related to committed and unutilized amounts are 0.30% per annum, and the fees related to outstanding letters of credit are 1.50% per annum. In addition, the interest rate on outstanding U.S. dollar borrowings or British pound borrowings is LIBOR plus 1.50% per annum. The interest rate on outstanding Canadian dollar borrowings is CDOR plus 1.50% per annum.

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 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 August 1, 2015, 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 August 1, 2015, there were no borrowings outstanding under the Revolving Facility.

Letters of Credit

The Revolving Facility supports our letter of credit program. We had $19 million of outstanding letters of credit as of August 1, 2015 that reduce our remaining availability under our Revolving Facility.

Fair Value Interest Rate Swap Arrangements

In July 2014, we entered into interest rate swap arrangements related to $100 million of the outstanding 2017 Notes and $100 million of the outstanding 2019 Notes. In 2013, we entered into interest rate swap arrangements related to $200 million of the outstanding 2017 Notes and $200 million of the outstanding 2019 Notes. The interest rate swap arrangements effectively convert the fixed interest rate on the related debt to a variable interest rate based on LIBOR plus a fixed percentage.

The swap arrangements are designated as fair value hedges. The changes in the fair value of the interest rate swaps have 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 is accrued and recognized as an adjustment to interest expense.

In the past, we entered into interest rate swap arrangements on the 2014 and 2017 Notes. In 2012, we terminated these interest rate designated fair value hedges. The carrying values of these Notes include unamortized hedge settlements which are amortized as a reduction to interest expense through the respective maturity date of the 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 August 1, 2015, January 31, 2015 and August 2, 2014:

	August 1, 2015	January 31, 2015	August 2, 2014
		(in millions)	
Cash Provided by Operating Activities (a)	$ 375	$ 1,786	$ 446
Capital Expenditures (a)	358	715	349
Working Capital	928	1,553	1,119
Capitalization:			
Long-term Debt	4,759	4,765	4,758
Shareholders' Equity (Deficit)	(648)	18	(504)
Total Capitalization	$ 4,111	$ 4,783	$ 4,254
Remaining Amounts Available Under Credit Agreements (b)	$ 981	$ 981	$ 992

(a) The January 31, 2015 amounts represent a twelve-month period, and the August 1, 2015 and August 2, 2014 amounts represent six-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 $19 million as of August 1, 2015 and January 31, 2015 and $8 million as of August 2, 2014.

Credit Ratings

The following table provides our credit ratings as of August 1, 2015:

	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 Moody's, S&P and Fitch. If we receive an upgrade or downgrade to our corporate credit ratings by Moody's, S&P or Fitch, the borrowing costs could decrease or increase, respectively. The guarantees of our obligations under the Revolving Facility by 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 for year-to-date 2015 and 2014:

Repurchase Program	Amount Authorized	Shares Repurchased		Amount Repurchased		Average Stock Price of Shares Repurchased within Program
		2015	2014	2015	2014	
	(in millions)	(in thousands)		(in millions)		
June 2015	$ 250	624	NA	$ 52	NA	$ 83.75
February 2015	$ 250	2,788	NA	$ 250	NA	$ 89.45
November 2012	$ 250	NA	826	NA	$ 45	$ 48.52

In June 2015, our Board of Directors approved a new $250 million share repurchase program, which included the $0.6 million remaining under the February 2015 repurchase program.

In February 2015, our Board of Directors approved a $250 million share repurchase program, which included the $91 million remaining under the November 2012 repurchase program.

The June 2015 repurchase program had $198 million remaining as of August 1, 2015. Subsequent to August 1, 2015, we repurchased an additional 0.7 million shares of common stock for $61 million under this program.

There were $7 million of share repurchases reflected in Accounts Payable on the August 1, 2015 Consolidated Balance Sheet. There were no share repurchases reflected in Accounts Payable as of January 31, 2015 and August 2, 2014.

The timing and amount of any repurchases will be made at our discretion taking into account a number of factors including market conditions.

We use cash flow generated from operating and financing activities to fund our share repurchase programs.

Dividend Policy and Procedures

Under the authority and declaration of our Board of Directors, we paid the following dividends during year-to-date 2015 and 2014:

	Ordinary Dividends	Special Dividends	Total Dividends	Total Paid
		(per share)		(in millions)
2015				
Second Quarter	$ 0.50	$ —	$ 0.50	$ 146
First Quarter	0.50	2.00	2.50	734
2015 Total	$ 1.00	$ 2.00	$ 3.00	$ 880
2014				
Second Quarter	$ 0.34	$ —	$ 0.34	$ 99
First Quarter	0.34	1.00	1.34	392
2014 Total	$ 0.68	$ 1.00	$ 1.68	$ 491

Our Board of Directors will determine future dividends and share repurchase authorizations 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. We use cash flow generated from operating activities to fund our ordinary dividends and a combination of cash flow generated from operating activities and financing activities to fund our special dividends and share repurchases.

Cash Flow

The following table provides a summary of our cash flow activity for year-to-date 2015 and 2014:

	Year-to-Date	
	2015	2014
	(in millions)	
Cash and Cash Equivalents, Beginning of Period	$ 1,681	$ 1,519
Net Cash Flows Provided by Operating Activities	375	446
Net Cash Flows Used for Investing Activities	(187)	(334)
Net Cash Flows Used for Financing Activities	(1,091)	(485)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	2	1
Net Decrease in Cash and Cash Equivalents	(901)	(372)
Cash and Cash Equivalents, End of Period	$ 780	$ 1,147

Operating Activities

Net cash provided by operating activities in 2015 was $375 million, including net income of $453 million. Net income included depreciation and amortization of $224 million, gain on divestiture of the third-party apparel sourcing business of $78 million, share-based compensation expense of $50 million and excess tax benefits from share-based compensation of $61 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 items in working capital were the seasonal changes in Income Taxes Payable, Inventories, Other Assets and Liabilities and Accounts Payable, Accrued Expenses and Other.

Net cash provided by operating activities in 2014 was $446 million, including net income of $345 million. Net income included depreciation and amortization of $219 million, share-based compensation expense of $45 million and excess tax benefits from share-based compensation of $37 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 items in working capital were the seasonal changes in Income Taxes Payable, Inventories and Accounts Payable, Accrued Expenses and Other.

Investing Activities

Net cash used for investing activities in 2015 was $187 million consisting primarily of capital expenditures of $358 million and purchases of marketable securities of $50 million, partially offset by proceeds from the sale of assets of $135 million and divestiture of the third-party apparel sourcing business for $85 million. The capital expenditures included $269 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 2014 was $334 million consisting primarily of capital expenditures of $349 million. The capital expenditures included $272 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 used for financing activities in 2015 was $1.091 billion consisting primarily of quarterly and special dividend payments aggregating to $3.00 per share, or $880 million, and repurchases of common stock of $295 million, partially offset by excess tax benefits from share-based compensation of $61 million and proceeds from the exercise of stock options of $23 million.

Net cash used for financing activities in 2014 was $485 million consisting primarily of quarterly and special dividend payments aggregating to $1.68 per share, or $491 million, and repurchases of common stock of $48 million, partially offset by excess tax benefits from share-based compensation of $37 million and proceeds from the exercise of stock options of $22 million.

Contingent Liabilities and Contractual Obligations

In connection with the disposition of certain businesses, we have remaining guarantees of approximately $18 million related to lease payments of Express, Limited Stores, Dick's Sporting Goods and New York & Company under the current terms of noncancelable leases expiring at various dates through 2018. 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 $7 million as of August 1, 2015, $11 million as of January 31, 2015 and $16 million as of August 2,

2014. The estimated fair value of these guarantee obligations was $300 thousand as of August 1, 2015 and $1 million as of January 31, 2015 and August 2, 2014, and is included in Other Long-term Liabilities on the Consolidated Balance Sheets.

Our guarantees related to 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 August 1, 2015, January 31, 2015 and August 2, 2014.

In connection with our investment in ETC, in the second quarter of 2015, we provided a guarantee of payment to an interest rate swap counterparty for amounts owed by ETC, if any, upon settlement if ETC is unable to pay. Our estimated maximum potential loss from this guarantee is $63 million. The estimated fair value of this guarantee obligation is not significant as of August 1, 2015. For additional information, see Note 6, "Equity Investments and Other" and Note 12, "Commitments and Contingencies" included in Item 1. Financial Statements.

In connection with our investment in EG, we, along with an unaffiliated member, provided a guarantee of interest, certain expenses and a completion guarantee on the construction of the commercial shopping center. Our estimated maximum potential loss from our involvement with EG totaled $42 million as of August 1, 2015, which includes our equity investment of $32 million and our estimated maximum potential loss from our guarantees related to EG's construction loan of $10 million. The estimated fair value of these guarantee obligations is not significant. We expect EG to obtain permanent financing prior to maturity of the construction loan, following completion of construction of the commercial shopping center. For additional information, see Note 6, "Equity Investments and Other" and Note 12, "Commitments and Contingencies" included in Item 1. Financial Statements.

In 2015, in connection with the sale and leaseback under noncancellable operating leases of certain assets, we provided residual value guarantees to the lessor if the leased assets cannot be sold for an amount in excess of a specified minimum value at the conclusion of the lease term. The leases expire in 2020, and the total amount of the guarantees is approximately $66 million. The estimated fair value of these guarantee obligations is not significant as of August 1, 2015.

Subsequent to August 1, 2015, we completed an additional sale and leaseback transaction of an additional asset under a noncancellable operating lease. We provided a residual value guarantee of $29 million to the lessor if the leased asset cannot be sold for an amount in excess of a specified minimum value at the conclusion of the lease term. The fair value, if any, of the guarantee will be recognized in the third quarter of 2015.

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 31, 2015 other than the additional payments due under the operating lease agreements related to the sale and leaseback of certain assets described above. 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

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. This guidance requires companies to recognize revenue in a manner that depicts the transfer of promised goods or services to customers in amounts that reflect the consideration to which a company expects to be entitled in exchange for those goods or services. The new standard also will result in enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. This guidance will be effective beginning in fiscal 2018, with early adoption as of fiscal 2017 permitted. The standard allows for either a full retrospective or a modified retrospective transition method. We are currently evaluating the impact of this standard, including the transition method, on our Consolidated Statements of Income and Comprehensive Income, Balance Sheets and Statements of Cash Flows.

Simplifying the Presentation of Debt Issuance Costs

In April 2015, the FASB issued ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs.* This guidance requires companies to recognize debt issuance costs related to recognized debt liabilities in the balance sheet as a direct deduction from the carrying amount of those debt liabilities, consistent with debt discounts. This guidance will be effective beginning in fiscal 2016, and early adoption is permitted. This standard requires retrospective adoption. We are finalizing our evaluation of this ASU, including timing of adoption, but expect to record a decrease to Other Assets and Long-term Debt of approximately $35 million upon adoption.

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 GAAP 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, income taxes and revenue recognition. Management bases our estimates and judgments on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

There have been no material changes to the critical accounting policies and estimates disclosed in our 2014 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 cross-currency swaps, forward contracts 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

We have operations in foreign countries which expose us to market risk associated with foreign currency exchange rate fluctuations. 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 remaining swap arrangements mature in January 2016 and January 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. For additional information, see Note 9, "Derivative Instruments" included in Item 1. Financial Statements.

In addition, our Canadian dollar and British pound denominated earnings are subject to exchange rate risk as substantially all of our merchandise sold in Canada and the U.K. is sourced through U.S. dollar transactions. Although we utilize foreign currency forward contracts to partially offset these risks, these measures may not succeed in offsetting all of the short-term impact of foreign currency rate movements and generally may not be effective in offsetting the long-term impact of sustained shifts in foreign currency rates.

Further, although our royalty arrangements with our international partners are denominated in U.S. dollars, the royalties we receive in U.S. dollars are calculated based on sales in the local currency. As a result, our royalties in these arrangements are exposed to foreign currency exchange rate fluctuations.

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. government obligations, U.S. Treasury and AAA-rated money market funds, highly rated commercial paper and bank deposits. 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 August 1, 2015 has fixed interest rates. We will from time to time adjust our exposure to interest rate risk by entering into interest rate swap arrangements. As of August 1, 2015, we have interest rate swap arrangements with notional amounts of $300 million related to a portion of our 2017 Notes and $300 million related to a portion of our 2019 Notes.

The effect of the interest rate swap arrangements is to convert the respective amount of debt from a fixed interest rate to a variable interest rate. The variable interest rate associated with these swap arrangements fluctuates based on changes in three-month LIBOR.

For the balance of our long-term debt that is not subject to interest rate swap arrangements, 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.

Fair Value of Financial Instruments

As of August 1, 2015, management believes that the carrying values of cash and cash equivalents, marketable securities, 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 August 1, 2015, January 31, 2015 and August 2, 2014:

	August 1, 2015	January 31, 2015	August 2, 2014
		(in millions)	
Long-term Debt:			
Carrying Value	$ 4,759	$ 4,765	$ 4,972
Fair Value, Estimated (a)	5,233	5,305	5,443
Cross-currency Swap Arrangements (b)	(25)	(21)	26
Fixed-to-Floating Interest Rate Swap Arrangements (b)	(7)	(12)	(3)

(a) 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.

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

Concentration of Credit Risk

We maintain cash and cash equivalents and derivative contracts with various major financial institutions. We monitor the relative credit standing of financial institutions with whom we transact and limit the amount of credit exposure with any one entity. Currently, our investment portfolio is comprised of U.S. government obligations, U.S. Treasury and AAA-rated money market funds, highly rated commercial paper and bank deposits. We also periodically review the relative credit standing of franchise, license and wholesale partners and other entities to which we grant credit terms in the normal course of business.

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 effective and designed to ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (2) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Changes in internal control over financial reporting. In March 2015, we implemented new real estate and store design systems (including financial systems). Various processes and controls continue to be modified due to the new systems. Additionally, we implemented additional compensating controls over financial reporting to ensure the accuracy and integrity of our financial statements during the post-implementation phase. We believe the system and process changes will enhance internal control over financial reporting in future periods. There were no additional changes in our internal control over financial reporting that occurred in the second quarter 2015 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.

Item 1A. RISK FACTORS

The risk factors that affect our business and financial results are discussed in “Item 1A: Risk Factors” in the 2014 Annual Report on Form 10-K. We wish to caution the reader that the risk factors discussed in “Item 1A: Risk Factors” in our 2014 Annual Report on Form 10-K and those described elsewhere in this report or other SEC 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 second quarter of 2015:

Period	Total Number of Shares Purchased (a)	Average Price Paid Per Share (b)	Total Number of Shares Purchased as Part of Publicly Announced Programs (c)	Maximum Number of Shares (or Approximate Dollar Value) that May Yet be Purchased Under the Programs (c)
	(in thousands)		(in thousands)	
May 2015	588	$ 89.53	432	$ 40,719
June 2015	569	85.24	551	243,167
July 2015	552	83.35	545	197,762
Total	1,709		1,528	

(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, "Earnings Per Share and Shareholders' Equity (Deficit)" 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

None.

Item 6. EXHIBITS

Exhibits

10.1	L Brands, Inc. 2015 Stock Option and Performance Incentive Plan Terms and Conditions of Restricted Share Unit Grant.
10.2	L Brands, Inc. 2015 Stock Option and Performance Incentive Plan Terms and Conditions of Stock Option Grant.
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.

L BRANDS, INC.
(Registrant)

By: /s/ STUART B. BURGDOERFER

Stuart B. Burgdoerfer
Executive Vice President and Chief Financial Officer *

Date: September 4, 2015

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

Exhibit 10.1

L Brands, Inc. 2015 Stock Option and Performance Incentive Plan
Terms and Conditions of Restricted Share Unit Grant

By accepting the indicated restricted share unit grant, the Participant agrees to the following terms and conditions and the terms of the L Brands, Inc. 2015 Stock Option and Performance Incentive Plan ("the Plan"). The "Restricted Period" and, if applicable, the performance conditions are set forth in your 2015 "Total Rewards" statement and/or on the Morgan Stanley website. A copy of your Total Rewards statement can be obtained upon request by calling the L Brands stock line at 614-415-1501.This restricted share unit grant is contingent on signing a Non-Solicitation/Non-Compete Agreement as applicable. Unless otherwise defined herein, capitalized terms used herein shall have the meaning set forth in the Plan.

(1) RESTRICTIONS. None of the Restricted Share Units may be sold, transferred, assigned, pledged or otherwise encumbered or disposed of during the Restricted Periods described on the Restricted Share Unit Agreement or prior to the satisfaction of all conditions which may be specified in an appendix to this Agreement.

(2) RECORDING OF AWARD. The Company shall cause the Restricted Share Unit award to be appropriately recorded as of the date of grant.

(3) RIGHTS OF PARTICIPANT. During the applicable Restricted Period, the Participant shall not have the right to vote the Restricted Share Units or to receive dividends with respect thereto.

(4) FORFEITURES.

(a) Except as noted in this Section (4), Restricted Share Units granted to the Participant pursuant to this Agreement shall be forfeited if the Participant's employment with the Company or its subsidiaries is terminated prior to the expiration or termination of the applicable Restricted Period or if the performance conditions set forth in any appendix hereto are not satisfied. "Termination of employment" shall mean "separation from service" as that term is defined in Section 409A and the Treasury regulations thereunder. Upon such forfeiture, the Restricted Share Unit award shall be cancelled.

(b) Subject to the execution of a release of claims against the Company and achievement of performance conditions, if any, not later than the first performance period ending after the performance period in which a Qualifying Termination occurs, upon a Participant's involuntary termination of employment other than for (x) misconduct or (y) for performance (each as determined by the Committee or its designees in their sole discretion) (a "Qualifying Termination"), except as noted in this Section 4(b) the Participant shall be deemed to have satisfied the provision of services conditions effective as of the last day of the Restricted Period with respect to that percentage of the Restricted Share Units equal to (x) the number of complete months between the first day of the first Restricted Period and the date of the Participant's Qualifying Termination, divided by (y) the aggregate number of months in all Restricted Periods. Notwithstanding the foregoing, in the case of a Qualifying Termination no portion of the provision of services conditions shall be deemed to have been satisfied and this award shall be forfeited if, at any time prior to the end of the Restricted Period, the Participant either (i) is employed by a competitor of the Company or (ii) has directly or indirectly solicited, induced or attempted to influence any employee to leave the employment of the Company or assisted anyone else in doing so (each as determined by the Committee or its designees in their sole discretion).

(c) Subject to the achievement of performance conditions, if any, if the Participant's employment terminates as a result of Total Disability, as defined in the L Brands Inc. Long-Term Disability Plan, the Restricted Share Units granted to the Participant pursuant to this Agreement shall continue to vest during the period of the Participant's Total Disability.

(d) Subject to the achievement of performance conditions, if any, if the Participant's employment terminates as a result of his or her death, or if the Participant's period of Total Disability terminates as a result of his or her death, all provision of services conditions shall be deemed to have been satisfied and the Restricted Period shall be deemed to have expired.

(e) Upon the retirement of the Participant and subject to the achievement of performance conditions, if any, not later than the first performance period ending after the performance period in which a Qualifying Termination occurs, the Restricted Period shall be deemed to have expired and all provision of services conditions shall be deemed to have been satisfied with respect to that percentage of the Restricted Share Units equal to (x) the number of complete months between the first day of the Restricted Period and the date of the Participant's retirement, divided by (y) the number of complete months in the Restricted Period. For this purpose, "retirement" means a Participant's termination of employment following completion of seven years of service with the Company and attainment of age 55.

(5) <u>SETTLEMENT OF NON-DEFERRED RESTRICTED SHARE UNITS</u>.

(a) Unless a valid deferral election is made pursuant to Section (6), upon the expiration or termination of a Restricted Period and the satisfaction of all other conditions prescribed by the Committee, the restrictions applicable to the Restricted Share Units shall lapse and a stock certificate for the number of shares of Common Stock equal to the number of restricted share units with respect to which the restrictions have lapsed shall be delivered, free of all such restrictions, to the Participant or the Participant's beneficiary or estate, as the case may be. Such payment in settlement shall be made promptly, but in any event not later than (x) the end of the year in which the Restricted Period ended and the conditions were satisfied or (y) if later, the fifteenth (15th) day of the third calendar month following the date on which the Restricted Period ended, provided that the award holder will not be permitted, directly or indirectly, to designate the taxable year of settlement. The Participant may be required to execute a release of claims against the Company and its subsidiaries in this event.

(b) If a Participant who is a “specified employee,” as that term is defined in Section 409A and the Treasury regulations thereunder, receives payment(s) in connection with his or her termination of employment (including retirement) on a date determinable based on the date of termination of employment and not a pre-determined fixed date or schedule, then, except in the event of the Participant’s death after such termination of employment, such payment(s) shall be delayed by at least six months after the date of the specified employee’s termination of employment.

(6) <u>DEFERRAL OF RESTRICTED SHARE UNITS</u>. A Participant who has been designated to receive a Restricted Share Unit award may elect to defer settlement of such Restricted Share Unit award. The election to defer settlement of Restricted Share Units must be made prior to or within thirty (30) days following the date of the Restricted Share Unit award. Such Restricted Share Unit award shall continue to be subject to the same restrictions, conditions and forfeiture provisions. During the Restricted Period, a Participant shall not have the right to receive any dividends with respect to Restricted Share Units. After the end of the Restricted Period and prior to the time that shares of Common Stock are transferred to the Participant, within sixty (60) days after the date of payment of a dividend by the Company on its shares of Common Stock, the Participant shall be credited with “dividend equivalents” with respect to each outstanding Restricted Share Unit in an amount equal to the amount the Participant would have received as dividends if the Restricted Shares Units were actual shares of Common Stock. Dividend equivalents will be converted into additional Restricted Share Units based on the value of the Common Stock on the dividend payment date, in accordance with the procedures established by the Committee. All elections with respect to Restricted Share Units must be made in accordance with procedures established by the Committee and any election not made in accordance with such procedures shall be disregarded.

(7) <u>SETTLEMENT OF DEFERRED RESTRICTED SHARE UNITS</u>.

(a) Restricted Share Units will be settled solely in shares of unrestricted Common Stock. Shares attributable to Restricted Share Units that are vested on the Participant’s termination of employment shall be transferred to the Participant in a single distribution, or may be distributed in substantially equal annual installments of up to ten years following such termination of employment, as elected by the Participant at the time the award is made. If a Participant terminates employment pursuant to Section (4) and the Restricted Period has not expired, distribution of any deferred Restricted Share Units thereunder shall not begin until after the expiration of the Restricted Period.

(b) If a single distribution is elected, such shares shall be transferred to the Participant within ninety (90) days following the later of the Participant’s termination of employment or the expiration of the Restricted Period. If installment distributions are elected, the initial installment shall be made during the period beginning March 1 and ending April 30 of the calendar year following the calendar year in which the later of such termination of employment or expiration of the Restricted Period occurred. Subsequent installments shall be made on each anniversary of the initial installment and shall continue for the duration of the selected distribution period. If the Participant dies prior to the time all shares have been distributed, regardless of the election on file, a lump sum distribution of all undistributed shares shall be made to the Participant’s beneficiary or estate within 90 days after the date of the Participant’s death. A Participant shall have no rights as a shareholder with respect to Restricted Share Units until such time, if any, as shares of Common Stock are transferred to the Participant (or his or her beneficiary or estate, if applicable).

(c) A Participant may change his or her distribution election, provided such change in distribution election is made not less than twelve (12) months before the date the payment (or in the case of installments, the first payment) is scheduled to be made, and is irrevocable after this date. Such an election may be made to change payment(s) from a single payment distribution to installment distributions, or from installment distributions to a single payment distribution, by submitting such election to the Committee; provided, (i) such election does not become effective until at least twelve (12) months after the date on which the election is made and (ii) except in the case of payment permissible upon the Participant’s death, the payment (or in the case of installments the first payment) must be deferred for a period of not less than five (5) years from the date such payment would have been made or commenced if there had been no election to change the form of payment.

(d) If an invalid deferral election (including a change in distribution election) is received, the applicable election shall be disregarded. In the case of an invalid initial deferral election, distribution of the shares attributable to the awards shall be made as though the Participant did not elect to defer the Restricted Share Units. In the case of an invalid change in distribution election, distribution of the shares attributable to the awards shall be made as though the Participant did not elect to change the time and form of distribution. For this purpose, an invalid election shall include (but is not limited to) an election that (i) is not executed (regardless of when received), (ii) is executed but received after the applicable irrevocable date (based on whether it is an initial election or a change election), and (iii) cannot otherwise become effective under applicable rules.

(e) If a valid deferral election (including a change in distribution election) is incomplete, the applicable election shall be honored. In the case of a valid but incomplete initial deferral election, distribution of the shares attributable to the awards shall be made as though the Participant elected a deferred lump sum payment. In the case of a valid but incomplete change in distribution election, distribution of the shares attributable to the awards shall be made as though the Participant elected a change in distribution to a deferred lump sum payment. For this purpose, a valid but incomplete election is one that has been received and executed on or before the applicable irrevocable date, but does not indicate the form of payment (lump sum versus installments), or indicates an election for installment payments but not the number of installment payments.

(8) **EFFECT OF CHANGE IN CONTROL**. Upon a termination (x) by the Company other than for cause or (y) to the extent provided in an employment agreement between the Company and the Participant, by the Participant for Good Reason (as defined in the employment agreement), in each case within twenty four (24) months following a Change in Control, and provided that that the Change in Control is a "change in control event" as defined in Section 409A and the Treasury regulations thereunder, any conditions applicable to any Restricted Share Units shall be deemed to have been satisfied and the Restricted Period shall be deemed to have expired.

(9) **TAX WITHHOLDING**. The Company shall have the right to require the Participant or the Participant's beneficiaries or legal representatives to remit to the Company an amount sufficient to satisfy Federal, state or local withholding tax requirements, or to deduct from distributions under the Plan amounts sufficient to satisfy such withholding tax requirements.

(10) **MISCELLANEOUS**.

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

(b) Clawback. Subject to restrictions set forth in the Plan, if required by law or if the Participant engaged, had knowledge of, or should have had knowledge of, fraudulent conduct or activities relating to the Company, the Company may terminate this Agreement and require the Participant to reimburse to the Company (i) an amount required by law or (ii) the amount of compensation received pursuant to this Agreement and based on the aforementioned conduct.

(c) Notice. Any notice or other communication required or permitted to be given under this Agreement must be given electronically or by regular U.S. mail addressed, if to the Committee or the Company, at the principal office of the Company and, if to the Participant, at the Participant's last known address as set forth in the books and records of the Company.

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

(e) Amendment. Subject to restrictions set forth in the Plan, the Company may from time to time suspend, modify or amend this Agreement. No suspension, modification or amendment of this Agreement may, without the consent of the Participant, adversely affect the rights of the Participant with respect to the Restricted Share Units granted pursuant to this Agreement, except to the extent any such action is undertaken to cause this Agreement to comply with applicable law, stock market or exchange rules and regulations or accounting or tax rules and regulations.

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

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

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

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

By accepting the indicated stock option grant, the Participant agrees to the following terms and conditions and the terms of the L Brands, Inc. 2015 Stock Option and Performance Incentive Plan (the “Plan”). This stock option award is contingent on signing a Non-Solicitation/Non-Compete Agreement as applicable. Unless otherwise defined herein, capitalized terms used herein shall have the meaning set forth in the Plan.

Terms and Conditions of Stock Option Grant

(1) **EXERCISE OF OPTIONS**. The Participant may exercise one or more of the Options granted in the Stock Option Agreement, to the extent exercisable, in such manner as is determined by the Committee that specifies the number of Options being exercised and the exercise date and by tendering payment for the shares of Common Stock being purchased under the Options. The Options shall expire on the tenth anniversary of the Date of Grant (the “Expiration Date”).

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

(3) **ISSUANCE OF CERTIFICATES**. As soon as reasonably practicable following the exercise of an Option and the receipt by the Company of payment for the shares and applicable withholding taxes, the shares of Common Stock purchased shall be registered in the name of the Participant in accordance with procedures approved by the Committee.

(4) **TERMINATION OF EMPLOYMENT (FOR REASONS OTHER THAN DEATH OR TOTAL DISABILITY)**. Upon termination of the Participant's employment with the Company for reasons other than death or Total Disability or Cause, the Participant shall be entitled to exercise the Options, to the extent exercisable on the date of the Participant's termination, at any time within the one (1) year period immediately following the date of the Participant's termination of employment (but not later than the Expiration Date); provided, however that if an Incentive Stock Option is not exercised within three (3) months following termination of employment, it shall be treated as a Nonstatutory Stock Option. In the event the Participant’s employment is terminated by his or her employer for Cause, the Participant shall be entitled to exercise the Options, to the extent exercisable on the date of termination, at any time within the thirty (30) day period following such termination of employment.

(5) **TERMINATION OF EMPLOYMENT (TOTAL DISABILITY)**. Upon termination of the Participant’s employment for reasons of Total Disability, as defined in the L Brands Inc. Long-Term Disability Plan, the Participant shall be entitled to exercise the Options, to the extent exercisable on the date of the Participant’s termination, at any time within the one (1) year period immediately following the date of the Participant’s termination of employment (but not later than the Expiration Date), it being understood that the Participant’s termination of employment will occur after nine (9) months of absence due to the Total Disability. Any Options that are not vested on the date that the Participant’s employment terminates for reason of Total Disability, shall continue to vest during the period of such Participant’s Total Disability, and, upon becoming vested, such award shall be exercisable within the one (1) year period after the applicable vesting date, but in no event later than the Expiration Date. In the event of the Participant’s death following the Participant’s termination of employment due to Total Disability, any unvested Options shall vest in accordance with the terms of Section 6 below.

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

(7) **EFFECT OF CHANGE IN CONTROL**. Upon a termination (i) by the Company other than for cause or (ii) to the extent provided in an employment agreement between the Company and the Participant, by the Participant for Good Reason (as defined in the employment agreement), in each case within 24 months following a Change in Control, the Options, to the extent not then exercisable, shall become fully exercisable.

(8) **NONTRANSFERABILITY.** Options granted under the Plan may not be transferred, assigned, pledged or hypothecated (whether by operation of law or otherwise), except (i) as provided by will or the applicable laws of descent and distribution and (ii) if permitted by the Committee, a NSO may be transferred to a member of the NSO holder’s immediate family or to a family partnership or a trust benefitting only members of the NSO holder’s immediate family, and Options shall not be subject, in whole or in part, to execution, attachment or similar process.

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

(10) <u>MISCELLANEOUS</u>.

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

(b) <u>Clawback</u>. Subject to restrictions set forth in the Plan, if required by law or if the Participant engaged, had knowledge of, or should have had knowledge of, fraudulent conduct or activities relating to the Company, the Company may terminate this Agreement and require the Participant to reimburse to the Company (i) an amount required by law or (ii) the amount of compensation received pursuant to this Agreement and based on the aforementioned conduct.

(c) <u>Notice</u>. Any notice or other communication required or permitted to be given under this Agreement must be given electronically or by regular U.S. mail addressed, if to the Committee or the Company, at the principal office of the Company and, if to the Participant, at the Participant's last known address as set forth in the books and records of the Company.

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

(e) <u>Amendment</u>. Subject to restrictions set forth in the Plan, the Company may from time to time suspend, modify or amend this Agreement. No suspension, modification or amendment of this Agreement may, without the consent of the Participant, adversely affect the rights of the Participant with respect to the Options granted pursuant to this Agreement, except to the extent any such action is undertaken to cause this Agreement to comply with applicable law, stock market or exchange rules and regulations or accounting or tax rules and regulations.

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

(g) <u>Entire Agreement</u>. This Agreement and the Plan contain all of the understandings between the Company and the Participant concerning the Options granted hereunder and supersede all prior agreements and understandings.

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

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

Exhibit 15

September 4, 2015

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

We are aware of the incorporation by reference in the following Registration Statements of L Brands, Inc. and, with respect to the Registration Statement on Form S-3 and S-4, in the related Prospectus of L Brands, Inc.:

Registration Statement (Form S-3 ASR No. 333-191968)
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 September 4, 2015 relating to the unaudited consolidated interim financial statements of L Brands, Inc. and its subsidiaries that are included in its Form 10-Q for the quarter ended August 1, 2015.

/s/ Ernst & Young LLP

Columbus, Ohio

Exhibit 31.1

Section 302 Certification

I, Leslie H. Wexner, certify that:

1. I have reviewed this report on Form 10-Q of L 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: September 4, 2015

Exhibit 31.2

Section 302 Certification

I, Stuart B. Burgdoerfer, certify that:

1. I have reviewed this report on Form 10-Q of L 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: September 4, 2015

Exhibit 32

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 L 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 September 4, 2015 for the period ending August 1, 2015 (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: September 4, 2015