
SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the fiscal year ended February 2, 2002

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from _____ to _____

Commission file number 1-8344

THE LIMITED, INC.

(Exact name of registrant as specified in its charter)

Delaware

31-1029810

(State or other jurisdiction of incorporation or organization)

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

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

43216

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (614) 415-7000
Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange on which registered

Common Stock, \$.50 Par Value

The New York Stock Exchange

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

Indicate by check mark 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 and (2) has been subject to the filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Aggregate market value of the registrant's Common Stock held by non-affiliates of the registrant as of April 12, 2002: \$8,022,139,455.

Number of shares outstanding of the registrant's Common Stock as of April 12, 2002: 518,873,726.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant's annual report to shareholders for the fiscal year ended February 2, 2002 are incorporated by reference into Part I, Part II and Part IV, and portions of the registrant's proxy statement for the Annual Meeting of Shareholders scheduled for May 20, 2002 are incorporated by reference into Part III.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995:

The Company cautions that any forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) contained in this Annual Report on Form 10-K ("Report") or made by management of the Company involve risks and uncertainties and are subject to change based on various important factors, many of which may be beyond the Company's control. Accordingly, the Company's future performance and financial results may differ materially from those expressed or implied in any such forward-looking statements. Words such as "estimate," "project," "plan," "believe," "expect," "anticipate," "intend," and similar expressions may identify forward-looking statements. The following factors, among others, in some cases have affected and in the future could affect the Company's financial performance and actual results and could cause actual results for 2002 and beyond to differ materially from those expressed or implied in any forward-looking statements included in this Report or otherwise made by management: changes in consumer spending patterns, consumer preferences and overall economic conditions; the potential impact of national and international security concerns on the retail environment; the impact of competition and pricing; changes in weather patterns; political stability; postal rate increases and charges; paper and printing costs; risks associated with the seasonality of the retail industry; risks related to consumer acceptance of the Company's products and the ability to develop new merchandise; the ability to retain, hire and train key personnel; risks associated with the possible inability of the Company's manufacturers to deliver products in a timely manner; risks associated with relying on foreign sources of production and availability of suitable store locations on appropriate terms.

The Company does not undertake to publicly update or revise its forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied therein will not be realized.

PART I**ITEM 1. BUSINESS.****GENERAL.**

The Limited, Inc., a Delaware corporation (including its subsidiaries, the "Company"), sells women's and men's apparel, women's intimate apparel and personal care products under various trade names through its specialty retail stores and direct response (catalog and e-commerce) businesses. Merchandise is targeted to appeal to customers in various market segments that have distinctive consumer characteristics.

DESCRIPTION OF OPERATIONS .General.

As of February 2, 2002, the Company conducted its business in two primary segments: (1) the apparel segment, which derives its revenues from the sale of women's and men's apparel; and (2) Intimate Brands, Inc. ("IBI") (a corporation in which the Company, as of February 2, 2002, held an 84% interest), which derives its revenues from the sale of women's intimate and other apparel, personal care products and accessories.

On March 21, 2002, the Company completed a tax-free tender offer and merger which resulted in the acquisition of the remaining IBI minority interest. The total purchase price was approximately \$1.6 billion, based on approximately 89 million Limited common shares issued or to be issued in the transaction. See Note 14 of the Notes to the Consolidated Financial Statements in the Company's 2001 Annual Report, incorporated herein by reference, for additional information regarding this transaction.

The following chart reflects the retail businesses and the number of stores in operation for each segment at February 2, 2002 and February 3, 2001.

RETAIL BUSINESSES	NUMBER OF STORES	
	February 2, 2002	February 3, 2001
<u>Apparel Businesses</u>		
Express	667	667
Lerner New York	522	560
Limited Stores	368	389
Structure	439	469
Total apparel businesses	1,996	2,085
<u>Intimate Brands</u>		
Victoria's Secret Stores	1,002	958
Bath & Body Works	1,615	1,432
Total Intimate Brands	2,617	2,390
<u>Other</u>		
Henri Bendel	1	1
Lane Bryant	—	653
Total	4,614	5,129

The following table shows the changes in the number of retail stores operated by the Company for the past five fiscal years:

Fiscal Year	Beginning of Year	Acquired	Opened	Closed	Businesses Disposed of or Closed	End of Year
1997	5,633	—	315	(190)	(a) (118)	5,640
1998	5,640	—	251	(350)	(b) (159)	5,382
1999	5,382	—	295	(301)	(c) (353)	5,023
2000	5,023	—	330	(224)	—	5,129
2001	5,129	—	275	(137)	(d) (653)	4,614

(a) Represents Cacique stores at the January 31, 1998 closure of that business.

(b) Represents A&F stores at the May 19, 1998 split-off.

(c) Represents 18 Galyan's Trading Co. stores at August 31, 1999 (the date of the third party purchase of a 60% majority interest in Galyan's Trading Co.) and 335 Limited Too stores at the August 23, 1999 spin-off.

(d) Represents Lane Bryant stores at August 16, 2001, the date of sale to Charming Shoppes, Inc.

The Company also owns Mast Industries, Inc., a contract manufacturer and apparel importer.

During fiscal year 2001, the Company purchased merchandise from approximately 2,900 suppliers and factories located throughout the world. In addition to purchases through Mast, the Company purchases merchandise directly in foreign markets and in the domestic market, some of which is manufactured overseas. The Company purchased approximately 10% of its merchandise from a single manufacturer, the loss of which would not have a material adverse effect on the Company's ability to source its products.

Most of the merchandise and related materials for the Company's stores is shipped to the Company's distribution centers in the Columbus, Ohio area. The Company uses common and contract carriers to distribute merchandise and related materials to its stores. The Company's businesses generally have independent distribution capabilities and no business receives priority over any other business.

The Company's policy is to maintain sufficient quantities of inventory on hand in its retail stores and distribution centers so that it can offer customers an appropriate selection of current merchandise. The Company emphasizes rapid turnover and takes markdowns as required to keep merchandise fresh and current with fashion trends.

The Company views the retail apparel market as having two principal selling seasons, spring and fall. As is generally the case in the retail apparel industry, the Company experiences its peak sales activity during the fall season. This seasonal sales pattern results in increased inventory during the fall and Christmas holiday selling periods. During fiscal year 2001, the highest month-end inventory level was \$1.4 billion at November 2001 and the lowest inventory level was \$957 million at December 2001.

Merchandise sales are paid for with cash, by personal check, and with credit cards issued by third parties, including Alliance Data Systems, which is approximately 20%-owned by the Company.

The Company offers its customers a return policy stated as "No Sale is Ever Final." The Company believes that certain of its competitors offer similar service policies.

The following is a brief description of each of the Company's operating businesses, including their respective target markets.

APPAREL BUSINESSES

Express—is a leading specialty retailer of women's sportswear and accessories. Express' strategy is to offer new, international fashion to its base of young, style-driven women. Launched in 1980, Express had net sales of \$1.542 billion in 2001 and operated 667 stores in 46 states.

Lerner New York—is a leading mall-based specialty retailer of women's apparel. The business's strategy is to offer competitively priced women's fashion with its New York & Company brand. Originally founded in 1918, Lerner New York was purchased by The Limited in 1985. Lerner New York had net sales of \$940 million in 2001 and operated 522 stores in 43 states.

Limited Stores—is a mall-based specialty store retailer. The business's strategy is to focus on sophisticated sportswear for modern American women. Founded in 1963, Limited Stores had net sales of \$618 million in 2001 and operated 368 stores in 45 states.

Structure—is a leading specialty retailer of men's apparel and is being rebranded as Express Men's. Structure had net sales of \$502 million in 2001 and operated 439 stores in 43 states.

INTIMATE BRANDS

Victoria's Secret Stores—is the leading specialty retailer of women's intimate apparel and related products. Victoria's Secret Stores had net sales of \$2.403 billion in 2001 and operated 1,002 stores nationwide.

Victoria's Secret Beauty—is a leading specialty retailer of high quality beauty products. Victoria's Secret Beauty had net sales of \$562 million in 2001 and operated 96 stand-alone stores, 399 side-by-side locations and niches within Victoria's Secret lingerie stores. Victoria's Secret Beauty stores and sales are consolidated within Victoria's Secret Stores in the preceding paragraph and in the 2001 Annual Report.

Victoria's Secret Direct—is a leading catalog and e-commerce retailer of intimate and other women's apparel. Through its web site, www.VictoriasSecret.com, certain of its products may be purchased worldwide. Victoria's Secret Direct mailed approximately 374 million catalogs and had net sales of \$869 million in 2001.

Bath & Body Works—is the leading specialty retailer of personal care products. Launched in 1990, Bath & Body Works, which also operates the White Barn Candle Company, had net sales of \$1.747 billion in 2001 and operated 1,615 stores nationwide.

OTHER

Henri Bendel—operates a single specialty store in New York City which features fashions for sophisticated, higher-income women. The business had net sales of \$36 million in 2001.

Lane Bryant—is the leading specialty store retailer of women's apparel, offering knit tops, sweaters, pants, jeans and intimate apparel for women size 14-plus. Originally founded in 1900, Lane Bryant was acquired by The Limited in 1982. Prior to its sale to Charming Shoppes, Inc. on August 16, 2001, Lane Bryant had net sales of \$495 million in 2001 and operated 653 stores.

Additional information about the Company's business, including its revenues and profits for the last three years and selling square footage, is set forth under the caption "Management's Discussion and Analysis" of the 2001 Annual Report and is incorporated herein by reference. For the financial results of the Company's reportable operating segments, see Note 13 of the Notes to the Consolidated Financial Statements included in the 2001 Annual Report, incorporated herein by reference.

COMPETITION.

The sale of intimate and other apparel and personal care products through retail stores is a highly competitive business with numerous competitors, including individual and chain fashion specialty stores, department stores and discount retailers. Brand image, marketing, fashion design, price, service, fashion selection and quality are the principal competitive factors in retail store sales. The Company's direct response business competes with numerous national and regional catalog and e-commerce merchandisers. Brand image, marketing, fashion design, price, service, quality, image presentation and fulfillment are the principal competitive factors in catalog and e-commerce sales.

The Company is unable to estimate the number of competitors or its relative competitive position due to the large number of companies selling apparel and personal care products through retail stores, catalogs and e-commerce.

ASSOCIATE RELATIONS.

On February 2, 2002, the Company employed approximately 100,300 associates, 71,600 of whom were part-time. In addition, temporary associates are hired during peak periods, such as the holiday season.

ITEM 2. PROPERTIES.

The Company's business is principally conducted from office, distribution and shipping facilities located in the Columbus, Ohio area. Additional facilities are located in New York City, New York; Andover, Massachusetts; Kettering, Ohio; Rio Rancho, New Mexico; Paramus, New Jersey; Hong Kong and London, England.

The distribution and shipping facilities owned by the Company consist of seven buildings located in the Columbus, Ohio area. Excluding office space, these buildings comprise approximately 6.1 million square feet.

Substantially all of the retail stores operated by the Company are located in leased facilities, primarily in shopping centers throughout the continental United States. A substantial portion of these lease commitments consists of store leases generally with an initial term of ten years, with options to renew at varying terms. The leases expire at various dates between 2002 and 2028.

Typically, when space is leased for a retail store in a shopping center, all improvements, including interior walls, floors, ceilings, fixtures and decorations, are supplied by the tenant. In certain cases, the landlord of the property may provide a construction allowance to fund all or a portion of the cost of improvements. The cost of improvements varies widely, depending on the design, size and location of the store. Rental terms for new locations usually include a fixed minimum rent plus a percentage of sales in excess of a specified amount. Certain operating costs such as common area maintenance, utilities, insurance and taxes are typically paid by tenants.

ITEM 3. LEGAL PROCEEDINGS.

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

On January 13, 1999, two lawsuits were filed against the Company, as well as other defendants, including many national retailers. Both lawsuits relate to labor practices allegedly employed on the island of Saipan, Commonwealth of the Northern Mariana Islands, by apparel manufacturers unrelated to the Company (some of which have sold goods to the Company) and seek injunctions, unspecified monetary damages, and other relief. One lawsuit, on behalf of a class of unnamed garment workers, was filed in the United States District Court for the Central District of California, Western Division and subsequently transferred to the United States District Court for the Northern Mariana Islands. It alleged violations of federal statutes, the United States Constitution, and international law. A first amended complaint was filed on April 28, 2000, which added additional defendants but did not otherwise substantively alter either the claims alleged or relief sought. On November 26, 2001, a motion to dismiss the first amended complaint for failure to state a claim upon which relief can be granted was granted in part and denied in part. A second amended complaint, which added neither new parties nor claims but realleged claims previously dismissed, was filed on December 17, 2001. A motion to dismiss the second amended complaint was filed on January 14, 2002, and remains pending. The second lawsuit was filed by a national labor union and other organizations in the Superior Court of the State of California, San Francisco County, and alleges unfair business practices under California law. A motion for summary judgment on that complaint was filed on October 30, 2001, and remains pending.

In May and June 1999, purported shareholders of the Company filed three derivative actions in the Court of Chancery of the State of Delaware, naming as defendants the members of the Company's board of directors and the Company, as nominal defendant. The actions thereafter were consolidated. The operative complaint generally alleged that the rescission of the Contingent Stock Redemption Agreement previously entered into by the Company with Leslie H. Wexner and The Wexner Children's Trust (the "Contingent Stock Redemption Agreement") constituted a waste of corporate assets and a breach of the board members' fiduciary duties, and that the issuer tender offer completed on June 3, 1999 was a "wasteful transaction in its own right." On July 30, 1999, all defendants moved to dismiss the complaint, both on the ground that it failed to allege facts showing that demand on the board to institute such an action would be futile and for failure to state a claim. Plaintiffs did not respond to that motion, but on February 16, 2000, plaintiffs filed a first amended consolidated derivative complaint (the "amended complaint"), which makes allegations similar to the first complaint concerning the rescission of the Contingent Stock Redemption Agreement and the 1999 issuer tender offer and adds allegations apparently intended to show that certain directors were not disinterested in those decisions. Defendants moved to dismiss the amended complaint on April 14, 2000 and oral argument was heard on March 28, 2001. On March 27, 2002, the Court granted the motion in part and denied the motion in part.

Beginning on February 5, 2002 and continuing thereafter, a total of thirteen separate lawsuits were filed in the Delaware Court of Chancery on behalf of a purported class of public shareholders of Intimate Brands, Inc. ("IBI") relating to the announcement by the Company that it was commencing an exchange offer for the outstanding public shares of common stock of IBI. The actions were consolidated under the caption In re Intimate Brands Inc. Shareholders Litig., Cons. C.A. No. 19382. Separately, two actions advancing similar allegations and making similar claims on behalf of IBI shareholders were filed in the Ohio Court of Common Pleas in Franklin County, Ohio, styled Cameron v. Wexner, et al., Case No. 02-CVH-021342 and Zenderman v. Wexner, et al., Case No. 02-CVH-021636. As subsequently amended, these actions generally named as defendants the Company, IBI and the members of IBI's board of directors, challenged the Company's disclosures to IBI shareholders in connection with the exchange offer, alleged that the exchange offer amounted to a breach of fiduciary duty or was otherwise unlawful and made various related claims and allegations. On March 6, 2002, the parties reached an agreement in principle to settle these actions which was subsequently set forth in a memorandum of understanding dated March 19, 2002. The settlement is subject to a number of conditions, including completion of confirmatory discovery satisfactory to plaintiffs' counsel, negotiation and execution of definitive settlement documents and approval of the proposed settlement by the Delaware Court of Chancery.

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

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

Not applicable.

SUPPLEMENTAL ITEM. EXECUTIVE OFFICERS OF THE REGISTRANT.

Set forth below is certain information regarding the executive officers of the Company.

Leslie H. Wexner, 64, has been Chairman of the Board of Directors of the Company for more than five years and its President and Chief Executive Officer since he founded the Company in 1963.

V. Ann Hailey, 51, was appointed to the Board of Directors of the Company on March 1, 2001 and has been Executive Vice President and Chief Financial Officer of the Company since August 1997. Ms. Hailey was Senior Vice President and Chief Financial Officer of The Pillsbury Co. from 1994 to 1997.

Leonard A. Schlesinger, 49, has been a member of the Board of Directors of the Company since 1996 and has been Executive Vice President and Chief Operating Officer since March 2001. Mr. Schlesinger was Executive Vice President, Organization, Leadership and Human Resources of the Company from October 1999 until March 2001. Mr. Schlesinger was a Professor of Sociology and Public Policy and Senior Vice President for Development at Brown University from 1998 to 1999. He was also Professor of Business Administration at Harvard Business School ("Harvard") from 1988 to 1998.

All of the above officers serve at the pleasure of the Board of Directors of the Company.

Daniel P. Finkelman, 46, became Senior Vice President, Brand and Business Planning in March 2001. Prior to joining the Company, Mr. Finkelman was Executive Vice President of Marketing for Cardinal Health. Mr. Finkelman also spent thirteen years as a consultant with McKinsey & Company, most recently as Principal and co-leader of the firm's Marketing Practice.

Mark A. Giresi, 44, became Senior Vice President, Chief Stores Officer in December 2001. Mr. Giresi was Vice President, Store Operations from February 2000 until December 2001. Prior to joining the Company, Mr. Giresi was Senior Vice President of U.S. Franchise Operations and Development at Burger King Corporation. Previously he held the position of Worldwide General Counsel and Secretary for Burger King Corporation.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

Information regarding markets in which the Company's common stock was traded during fiscal years 2001 and 2000, approximate number of holders of common stock, and quarterly cash dividend per share information of the Company's common stock for the fiscal years 2001 and 2000 is set forth under the caption "Market Price and Dividend Information" on page 43 of the 2001 Annual Report and is incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA.

Selected financial data is set forth under the caption "Financial Summary" on page 29 of the 2001 Annual Report and is incorporated herein by reference.

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

Management's discussion and analysis of financial condition and results of operations is set forth under the caption "Management's Discussion and Analysis" on pages 29 through 36 of the 2001 Annual Report and is incorporated herein by reference.

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

The information required by this item is set forth on pages 35 and 42 of the 2001 Annual Report and is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The Consolidated Financial Statements of the Company and subsidiaries, the Notes to Consolidated Financial Statements and the Report of Independent Accountants are set forth in the 2001 Annual Report and are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Information regarding directors of the Company is set forth under the captions “ELECTION OF DIRECTORS—Nominees and directors”, “—Information concerning the Board of Directors”, “—Committees of the Board of Directors” and “—Security ownership of directors and management” on pages 3 through 7 of the Company’s proxy statement for the Annual Meeting of Shareholders to be held May 20, 2002 (the “Proxy Statement”) and is incorporated herein by reference. Information regarding compliance with Section 16(a) of the Securities Exchange Act of 1934, as amended, is set forth under the caption “EXECUTIVE COMPENSATION—Section 16(a) beneficial ownership reporting compliance” on page 19 of the Proxy Statement and is incorporated herein by reference. Information regarding executive officers is set forth herein under the caption “SUPPLEMENTAL ITEM. EXECUTIVE OFFICERS OF THE REGISTRANT” in Part I.

ITEM 11. EXECUTIVE COMPENSATION.

Information regarding executive compensation is set forth under the caption “EXECUTIVE COMPENSATION” on pages 15 through 18 of the Proxy Statement and is incorporated herein by reference. Such incorporation by reference shall not be deemed to specifically incorporate by reference the information referred to in Item 402(a)(8) of Regulation S-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

Information regarding the security ownership of certain beneficial owners and management is set forth under the captions “ELECTION OF DIRECTORS—Security ownership of directors and management” on pages 6 and 7 of the Proxy Statement and “SHARE OWNERSHIP OF PRINCIPAL STOCKHOLDERS” on page 23 of the Proxy Statement and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Information regarding certain relationships and related transactions is set forth under the caption “ELECTION OF DIRECTORS—Nominees and directors” on pages 3 through 5 of the Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a)(1) List of Financial Statements.

The following consolidated financial statements of The Limited, Inc. and Subsidiaries and the related notes are filed as a part of this report pursuant to ITEM 8:

Consolidated Statements of Income for the fiscal years ended February 2, 2002, February 3, 2001 and January 29, 2000.

Consolidated Balance Sheets as of February 2, 2002 and February 3, 2001.

Consolidated Statements of Shareholders' Equity for the fiscal years ended February 2, 2002, February 3, 2001 and January 29, 2000.

Consolidated Statements of Cash Flows for the fiscal years ended February 2, 2002, February 3, 2001 and January 29, 2000.

Notes to Consolidated Financial Statements.

Report of Independent Accountants.

(a)(2) List of Financial Statement Schedules.

All schedules required to be filed as part of this report pursuant to ITEM 14(d) are omitted because the required information is either presented in the financial statements or notes thereto, or is not applicable, required or material.

(a)(3) List of Exhibits.

3. Articles of Incorporation and Bylaws.

- 3.1. Certificate of Incorporation of the Company, dated March 8, 1982 incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2001.
- 3.2. Certificate of Amendment of Certificate of Incorporation, dated May 19, 1986 incorporated by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2001.
- 3.3. Certificate of Amendment of Certificate of Incorporation, dated May 19, 1987 incorporated by reference to Exhibit 3.3 to the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2001.
- 3.4. Certificate of Amendment of Certificate of Incorporation dated May 31, 2001 incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended May 5, 2001.
- 3.5. Restated Bylaws of the Company incorporated by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K for the fiscal year ended January 30, 1999.

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4. Instruments Defining the Rights of Security Holders.
- 4.1. Copy of the form of Global Security representing the Company's 7 1/2% Debentures due 2023, incorporated by reference to Exhibit 1 to the Company's Current Report on Form 8-K dated March 4, 1993.
 - 4.2. Conformed copy of the Indenture dated as of March 15, 1988 between the Company and The Bank of New York, incorporated by reference to Exhibit 4.1(a) to the Company's Current Report on Form 8-K dated March 21, 1989.
 - 4.3. Five-year revolving credit agreement dated as of July 13, 2001 among the Company, The Chase Manhattan Bank and the lenders listed therein incorporated by reference to Exhibit 4.9 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 4, 2001.
 - 4.4. 364-day revolving credit agreement dated as of July 13, 2001 among the Company, The Chase Manhattan Bank and the lenders listed therein incorporated by reference to Exhibit 4.10 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 4, 2001.
 - 4.5. Copy of the form of Global Security representing the Company's 7.80% Notes due May 15, 2002, incorporated by reference to the Company's Current Report on Form 8-K dated February 27, 1992.
 - 4.6. Proposed form of Debt Warrant Agreement for Warrants attached to Debt Securities, with proposed form of Debt Warrant Certificate incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-3 (File no. 33-53366) originally filed with the Securities and Exchange Commission (the "Commission") on October 16, 1992, as amended by Amendment No. 1 thereto, filed with the Commission on February 23, 1993 (the "1993 Form S-3").
 - 4.7. Proposed form of Debt Warrant Agreement for Warrants not attached to Debt Securities, with proposed form of Debt Warrant Certificate incorporated by reference to Exhibit 4.3 to the 1993 Form S-3.
 - 4.8. Not used.
10. Material Contracts.
- 10.1. The 1987 Stock Option Plan of The Limited, Inc., incorporated by reference to Exhibit 28(a) to the Company's Registration Statement on Form S-8 (File No. 33-18533).
 - 10.2. Officers' Benefits Plan incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended January 28, 1989 (the "1988 Form 10-K").
 - 10.3. The Limited Supplemental Retirement and Deferred Compensation Plan incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2001.
 - 10.4. Form of Indemnification Agreement between the Company and the directors and executive officers of the Company incorporated by reference to Exhibit 10.4 to the 1998 Form 10-K.
 - 10.5. Supplemental schedule of directors and executive officers who are parties to an Indemnification Agreement incorporated by reference to Exhibit 10.5 to the 1998 Form 10-K.
 - 10.6. The 1993 Stock Option and Performance Incentive Plan of the Company, incorporated by reference to Exhibit 4 to the Company's Registration Statement on Form S-8 (File No. 33-49871).

- 10.7. Stock Purchase Agreement dated as of July 9, 2001 among Charming Shoppes, Inc., Venice Acquisition Corporation, LFAS, Inc. and The Limited, Inc. related to the Purchase and Sale of 100% of the Common Stock of LBH, Inc. incorporated by reference to Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the quarter ended November 3, 2001.
- 10.8. Not Used.
- 10.9. The 1997 Restatement of The Limited, Inc. 1993 Stock Option and Performance Incentive Plan incorporated by reference to Exhibit B to the Company's Proxy Statement dated April 14, 1997.
- 10.10. The Limited, Inc. 1996 Stock Plan for Non-Associate Directors incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended November 2, 1996.
- 10.11. The Limited, Inc. Incentive Compensation Performance Plan incorporated by reference to Exhibit A to the Company's Proxy Statement dated April 14, 1997.
- 10.12. Not Used.
- 10.13. Agreement dated as of May 3, 1999 among The Limited, Inc., Leslie H. Wexner and the Wexner Children's Trust, incorporated by reference to Exhibit 99 (c) 1 to the Company's Schedule 13E-4 dated May 4, 1999.
- 10.14. Not Used.
- 10.15. The 1998 Restatement of the Limited, Inc. 1993 Stock Option and Performance Incentive Plan incorporated by reference to Exhibit A to the Company's Proxy Statement dated April 20, 1998.
- 10.16. Employment Agreement by and between The Limited, Inc. and V. Ann Hailey dated as of July 27, 1998 incorporated by reference to Exhibit 10.19 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 1, 1998.
- 10.17. Employment Agreement by and between The Limited, Inc. and Leonard A. Schlesinger dated as of October 1, 1999, incorporated by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 2000.
- 10.18. Employment Agreement by and between The Limited, Inc. and Daniel P. Finkelman dated as of July 27, 1998.
- 10.19. Indemnification Agreement by and between The Limited, Inc. and Daniel P. Finkelman dated as of September 4, 1996.
- 10.20. Confidentiality, Non-Competition and Intellectual Property Agreement by Mark Giresi dated January 24, 2000.
- 10.21. Indemnification Agreement by and between The Limited, Inc. and Mark A. Giresi dated December 10, 2001.
11. Statement re: Computation of Per Share Earnings.
13. Excerpts from the 2001 Annual Report to Shareholders including "Financial Summary," "Management's Discussion and Analysis," "Consolidated Financial Statements and Notes to Consolidated Financial Statements" and "Report of Independent Accountants" on pages 29 through 43.
21. Subsidiaries of the Registrant.

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- 23. Consent of Independent Accountants.
 - 24. Powers of Attorney.
 - 99.1. Cautionary Statements Relating to Forward-Looking Information.

(b) Reports on Form 8-K.

None.

(c) Exhibits.

The exhibits to this report are listed in section (a)(3) of Item 14 above.

/s/ ALEX SHUMATE*

Director

Alex Shumate

/s/ ALLAN R. TESSLER*

Director

Allan R. Tessler

/s/ MARTIN TRUST*

Director

Martin Trust

/s/ ABIGAIL S. WEXNER*

Director

Abigail S. Wexner

/s/ RAYMOND ZIMMERMAN*

Director

Raymond Zimmerman

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

By /s/ V. ANN HAILEY

V. Ann Hailey
Attorney-in-fact

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

THE LIMITED, INC.
(exact name of Registrant as specified in its charter)

EXHIBITS

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EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Document</u>
10.18	Employment Agreement by and between The Limited, Inc. and Daniel P. Finkelman dated as of July 27, 1998.
10.19	Indemnification Agreement by and between The Limited, Inc. and Daniel P. Finkelman dated as of September 4, 1996.
10.20	Confidentiality, Non-Competition and Intellectual Property Agreement by Mark Giresi dated January 24, 2000.
10.21	Indemnification Agreement by and between The Limited, Inc. and Mark A. Giresi dated as of December 10, 2001.
11	Statement re: Computation of Per Share Earnings.
13	Excerpts from the 2001 Annual Report to Shareholders including “Financial Summary,” “Management’s Discussion and Analysis,” “Consolidated Financial Statements and Notes to Consolidated Financial Statements” and “Report of Independent Accountants” on pages 29 through 43.
21	Subsidiaries of the Registrant.
23	Consent of Independent Accountants.
24	Powers of Attorney.
99.1	Cautionary Statements Relating to Forward-Looking Information.

EMPLOYMENT AGREEMENT

THIS AGREEMENT is entered into as of July 27, 1998, by and between The Limited Inc. and The Limited Service Corporation a Delaware corporation (the "Company"), and Daniel P. Finkelman (the "Executive") (hereinafter collectively referred to as "the parties").

WHEREAS, the Executive has heretofore been employed as Senior Vice President, Brand and Business Planning of The Limited, Inc. and is experienced in all phases of its business and possesses an intimate knowledge of the business and affairs of the Company and its policies, procedures, methods and personnel; and

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

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

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

1. Term. The initial term of employment under this Agreement shall be

for the period commencing on the date hereof (the "Commencement Date") and ending on the sixth anniversary of the Commencement Date (the "Initial Term"); provided, however, that upon the expiration of the Initial Term, this Agreement

shall be automatically extended for a period of one year, unless either the Company or the Executive shall have given written notice to the other at least ninety (90) days prior thereto that the term of this Agreement shall not be so extended.

2. Employment.

- a. Position. The Executive shall be employed as the Senior Vice

President, Brand and Business Planning of The Limited, Inc. or such other position of reasonably comparable or greater status and responsibilities as may be determined by the Board with any division, subsidiary or affiliate of the Company. The Executive shall perform the duties, undertake the responsibilities and exercise the authority customarily performed, undertaken and exercised by persons employed in a similar executive capacity. The Executive shall report to the Chairman and CEO of The Limited, Inc., or other designee as appointed by the Chairman.

- b. Obligations. The Executive agrees to devote his full business

time and attention to the business and affairs of the Company. The foregoing, however, shall not

preclude the Executive from serving on corporate, civil or charitable boards or committees of managing personal investments, so long as such activities do not interfere with the performance of the Executive's responsibilities hereunder.

3. Base Salary. The Company agrees to pay or cause to be paid to the

Executive during the term of this Agreement a base salary at the rate of \$450,000. This base salary will be subject to annual review and may be increased from time to time by the Board considering factors such as the executive's responsibilities, compensation of similar executives within the company and in other companies, performance of the executive and other pertinent factors (hereinafter referred to as the "Base Salary"). Such Base Salary shall be payable in accordance with the Company's customary practices applicable to its executives.

4. Equity Compensation. The Company has granted to the Executive

options to acquire 100,000 shares of the Company's common stock pursuant to the terms of the agreement attached hereto as Exhibit A.

5. Employee Benefits. The Executive shall be entitled to participate in

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

6. Bonus. The Executive shall be entitled to participate in the

Company's applicable incentive compensation plan on such terms and conditions as may be determined from time to time by the Board.

7. Other Benefits.

(a) Life Insurance.

(1) During the term of the Agreement, the Company shall maintain term life insurance coverage on the life of the Executive in the amount of \$2,000,000, the proceeds of which shall be payable to the beneficiary or beneficiaries designated by the Executive. The Executive agrees to undergo any reasonable physical examination and other procedures as may be necessary to maintain such policy. If the Company is not able to obtain such policy due to Executive's physical examination results, an AD&D (accidental death and dismemberment) policy of an equivalent amount will be obtained in lieu of the term life insurance coverage.

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

(b) Expenses. Subject to applicable Company policies, the

Executive shall be entitled to receive prompt reimbursement of all expenses reasonably incurred by him in connection with the performance of his duties hereunder or for promoting, pursuing or otherwise furthering the business or interests of the Company.

(c) Office and Facilities. The Executive shall be provided with an

appropriate office and with such secretarial and other support facilities as are commensurate with the Executive's status with the Company and adequate for the performance of those duties hereunder.

8. Vacation. The Executive shall be entitled to annual vacation in

accordance with the policies as periodically established by the Board for similarly situated executives of the Company.

9. Termination. The Executive's employment hereunder may be terminated

under the following circumstances:

(a) Disability. The Company shall be entitled to terminate the

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

(b) Cause. The Company shall be entitled to terminate the

Executive's employment for "Cause" without prior written notice. For purposes of this Agreement, "Cause" shall mean that the Executive (1) willfully failed to perform those duties with the Company (other than a failure resulting from the Executive's incapacity due to physical or mental illness); or (2) has plead "guilty" or "no contest" to or has been convicted of an act which is defined as a felony under federal or state law; or (3) engaged in willful misconduct in bad faith which could reasonably be expected to materially harm the Company's business or its reputation.

The Executive shall be given written notice by the Board of termination for Cause, such notice to state in detail the particular act or acts or failure or failures to act that constitute the grounds on which the proposed termination for Cause is based. The Executive shall be entitled to a hearing before the Board or a committee thereof established for such purpose and to be accompanied by legal counsel. Such hearing shall be held within 15 days of notice to the Company by the Executive, provided the Executive requests such hearing within 30 days of the written notice from the Board of the termination for Cause.

(c) Termination by the Executive. The Executive may terminate

employment hereunder for "Good Reason" by delivering to the Company (1) a Preliminary Notice of Good Reason (as defined below), and (2) not earlier than thirty (30) days from the delivery of such Preliminary Notice, a Notice of Termination. For purposes of this Agreement, "Good Reason" means (i) the failure to continue the Executive as Senior Vice President, Brand

and Business Planning of The Limited, Inc. or such other capacity as contemplated by Section 2 hereof; (ii) the assignment to the Executive of any duties materially inconsistent with the Executive's positions, duties, authority, responsibilities and reporting requirements as set forth in Section 2 hereof; (iii) a reduction in or a material delay in payment of the Executive's total cash compensation and benefits from those required to be provided in accordance with the provisions of this Agreement; (iv) the Company, the Board or any person controlling the Company requires the Executive to be based outside of the United States, other than on travel reasonably required to carry out the Executive's obligations under the Agreement or (v) the failure of the Company to obtain the assumption in writing of its obligation to perform this Agreement by any successor to all or substantially all of the assets of the Company within 15 days after a merger, consolidation, sale or similar transaction; provided,

however, that "Good Reason" shall not include (A) acts not taken in bad faith

which are cured by the Company in all respects not later than thirty (30) days from the date of receipt by the Company of a written notice from the Executive identifying in reasonable detail the act or acts constituting "Good Reason" (a "Preliminary Notice of Good Reason") or (B) acts taken by the Company by reason of the Executive's physical or mental infirmity which impairs the Executive's ability to substantially perform the duties under this Agreement. A Preliminary Notice of Good Reason shall not, by itself, constitute a Notice of Termination.

(d) Notice of Termination. Subject to SEction 9(b), any

purported termination by the Company or by the Executive shall be communicated by a written Notice of Termination to the other two weeks prior to the Termination Date (as defined below). For purposes of this Agreement, a "Notice of Termination" shall mean a notice which indicates the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated. For purposes of this Agreement, no such purported termination of employment shall be effective without such Notice of Termination.

(e) Termination Date, Etc. "Termination Date" shall mean in the

case of the Executive's death, the date of death, or in all other cases, the date specified in the Notice of Termination; provided, however, that if the

Executive's employment is terminated by the Company due to Disability, the date specified in the Notice of Termination shall be at least thirty (30) days from the date the Notice of Termination is given to the Executive.

10. Compensation Upon Termination.

(a) If during the term of this Agreement (including any extensions thereof), the Executive's employment is terminated by the Company for Cause, by reason of the Executive's death or if the Executive gives written notice not to extend the term of this Agreement, the Company's sole obligation hereunder shall be to pay the Executive the following amounts earned hereunder but not paid as of the Termination Date: (i) Base Salary, (ii) reimbursement for any and all monies advanced or expenses incurred pursuant to Section 7(b) through the Termination Date, and (iii) any earned compensation which the Executive had previously deferred (including any interest earned or credited thereon) (collectively, "Accrued

Compensation"), provided, however, that if the Executive gives such written

notice not to extend, the Company shall continue to pay the premiums provided for in Section 7(a)(1) through the end of the calendar year in which the Executive's termination occurs. The Executive's entitlement to any other benefits shall be determined in accordance with the Company's employee benefit plans then in effect.

(b) If the Executive's employment is terminated by the Company other than for Cause or by the Executive for Good Reason, the Company's sole obligation hereunder shall be as follows:

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

(ii) the Company shall continue to pay the Executive the Base Salary for a period of one (1) year following the Termination Date; and

(iii) the Company shall continue to pay the premiums provided for in Section 7(a)(1) hereof through the end of the calendar year in which such termination occurs.

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

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

(ii) the Company shall continue to pay the Executive 100% of the Base Salary for the first twelve months following the Termination Date, 80% of the Base Salary for the second twelve months following the Termination Date, and 60% of the Base Salary for the third twelve months following the Termination Date; provided, however, that such

Base Salary shall be reduced by the amount of any benefits the Executive receives by reason of his Disability under the Company's relevant disability plan or plans; and

(iii) if the Executive is disabled beyond thirty-six (36) months, the Company shall continue to pay the Executive 60% of Base Salary up to a maximum of \$250,000 per year for the period of the Executive's Disability, as defined in the Company's relevant disability plans; provided, however, that such payments shall be reduced by the amount

of any benefits the Executive receives by reason of his Disability under the Company's relevant disability plan or plans; and

(iv) the Company shall continue to pay the premiums provided for in Section 7(a)(1) hereof through the end of the calendar year in which such termination occurs.

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

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

(ii) the Company shall continue to pay the Executive the Base Salary for a period of one (1) year following the expiration of such term; and

(iii) the Company shall continue to pay the premiums provided for in Section 7(a)(1) hereof through the end of the calendar year in which the Executive's termination occurs.

(e) During the period the Executive is receiving salary continuation pursuant to Section 10(b)(ii), 10(c)(ii) or 10(d)(ii) hereof, the Company shall, at its expense, provide to the Executive and the Executive's beneficiaries medical and dental benefits substantially similar in the aggregate to those provided to the Executive immediately prior to the date of the Executive's termination of employment; provided, however, that the Company's

obligation with respect to the foregoing benefits shall be reduced to the extent that the Executive or the Executive's beneficiaries obtains any such benefits pursuant to a subsequent employer's benefit plans.

(f) The Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise and no such payment shall be offset or reduced by the amount of any compensation provided to the Executive in any subsequent employment.

11. Employee Covenants.

(a) Unauthorized Disclosure. The Executive shall not, during the term of

this Agreement and thereafter, make any Unauthorized Disclosure. For purposes of this Agreement, "Unauthorized Disclosure" shall mean disclosure by the Executive without the prior written consent of the Board to any person, other than an employee of the Company or a person to whom disclosure is reasonably necessary or appropriate in connection with the performance by the Executive of duties as an executive of the Company or as may be legally required, of any information

relating to the business or prospects of the Company (including, but not limited to, any confidential information with respect to any of the Company's customers, products, methods of distribution, strategies, business and marketing plans and business policies and practices); provided, however, that such term shall not

include the use or

disclosure by the Executive, without consent, of any information known generally to the public (other than as a result of disclosure by the Executive in violation of this Section 11(a)). This confidentiality covenant has no temporal, geographical or territorial restriction.

(b) Non-Competition. During the Non-Competition Period described below, the

Executive shall not, directly or indirectly, without the prior written consent of the Company, own, manage, operate, join, control, be employed by, consult with or participate in the ownership, management, operation or control of, or be connected with (as a stockholder, partner, or otherwise), any business, individual, partner, firm, corporation, or other entity that competes, directly or indirectly, with the Company or any division, subsidiary or affiliate of the Company; provided, however, that the "beneficial ownership" by the Executive

after termination of employment with the Company, either individually or as a member of a "group," as such terms are used in Rule 13d of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), of not more than two percent (2%) of the voting stock of any publicly held corporation shall not be a violation of Section 11 of this Agreement.

The "Non-Competition Period" means the period the Executive is employed by the Company plus one (1) year from the Termination Date if the Executive's employment is terminated (i) by the Company for any reason, (ii) by the Executive for any reason, or (iii) by reason of either the Company's or the Executive's decision not to extend the term of this Agreement as contemplated by Section 1 hereof.

(c) Non-Solicitation. During the No-Raid Period described below, the

Executive shall not, either directly or indirectly, alone or in conjunction with another party, interfere with or harm, or attempt to interfere with or harm, the relationship of the Company, its subsidiaries and/or affiliates, with any person who at any time was an employee, customer or supplier of the Company, its subsidiaries and/or affiliates or otherwise had a business relationship with the Company, its subsidiaries and/or affiliates.

The "No-Raid Period" means the period the Executive is employed by the Company plus one (1) year from the Termination Date if the Executive's employment is terminated (i) by the Company for any reason except by reason of the Executive's Disability, (ii) by the Executive for any reason, or (iii) by reason of either the Company's or the Executive's decision not to extend the term of this Agreement as contemplated by Section 1 hereof.

(d) Remedies. The Executive agrees that any breach of the terms of this

Section 11 would result in irreparable injury and damage to the Company for which the Company would have no adequate remedy at law; the Executive therefore also agrees that in the event of said breach or any threat of breach, the Company shall be entitled to an immediate injunction and restraining order to prevent such breach and/or threatened breach and/or continued breach by the Executive and/or any and all persons and/or entities acting for and/or with the Executive, without having to prove damages, and to all costs and expenses, including

reasonable attorneys' fees and costs, in addition to any other remedies to which the Company may be entitled at law or in equity. The terms of this paragraph

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

The provisions of this Section 11 shall survive any termination of this Agreement, and the existence of any claim or cause of action by the Executive against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of the covenants and agreements of this Section 11; provided, however, that this paragraph shall not,

in and of itself, preclude the Executive from defending himself against the enforceability of the covenants and agreements of this Section 11.

12. Limitation of Payments.

(a) Gross-Up Payment. In the event it shall be determined that any payment

or distribution of any type to or for the benefit of the Executive, by the Company, any of its affiliates, any Person who acquires ownership or effective control of the Company or ownership of a substantial portion of the Company's assets (within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder) or any affiliate of such Person, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (the "Total Payments"), would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties with respect to such excise tax (such excise tax, together with any such interest and penalties, are collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax, imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Total Payments (not including any Gross-Up Payment).

(b) All determinations as to whether any of the Total Payments are "parachute payments" (within the meaning of Section 280G of the Code), whether a Gross-Up Payment is required, the amount of such Gross-Up Payment and any amounts relevant to the last sentence of Subsection 12(a), shall be made by an independent accounting firm selected by the Company from among the largest six accounting firms in the United States (the "Accounting Firm"). The Accounting Firm shall provide its determination (the "Determination"), together with detailed supporting calculations regarding the amount of any Gross-Up Payment and any other relevant matter, both to the Company and the Executive

within five (5) days of the Termination Date, if applicable, or such earlier time as is requested by the Company or the Executive (if the Executive reasonably believes that any of the Total Payments may be subject to the Excise Tax). Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that the Company should have made Gross-Up Payments ("Underpayment"), or that Gross-Up Payments will have been made by the Company which should not have been made ("Overpayments"). In either such event, the Accounting Firm shall determine the amount of the Underpayment or Overpayment that has occurred. In the case of an Underpayment, the amount of such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive. In the case of an Overpayment, the Executive shall, at the direction and expense of the Company, take such steps as are reasonably necessary (including the filing of returns and claims for refund), follow reasonable

instructions from, and procedures established by, the Company, and otherwise reasonably cooperate with the Company to correct such Overpayment.

13. Employee Representation. The Executive expressly represents and

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

14. Successors and Assigns.

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

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

15. Arbitration. Except with respect to the remedies set forth in

Section 11(d) hereof, if in the event of any controversy or claim between the Company or any of its affiliates and the Executive arising out of or relating to this Agreement, either party delivers to the other party a written demand for arbitration of a controversy or claim then such claim or controversy

shall be submitted to binding arbitration. The binding arbitration shall be administered by the American Arbitration Association under its Commercial Arbitration Rules. The arbitration shall take place in Columbus, Ohio. Each of the Company and the Executive shall appoint one person to act as an arbitrator, and a third arbitrator shall be chosen by the first two arbitrators (such three arbitrators, the "Panel"). The Panel shall have no authority to award punitive damages against the Company or the Executive. The arbitrator shall have no authority to add to, alter, amend or refuse to enforce any portion of the disputed agreements. The Company and the Executive each waive any right to a jury trial or to petition for stay in any action or proceeding of any kind arising out of or relating to this Agreement.

16. Notice. For the purposes of this Agreement, notices and all other

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

To the Executive:

Daniel P. Finkelman
39 South Parkview Avenue
Bexley, Ohio 43209

To the Company:

The Limited, Inc.
3 Limited Parkway
Columbus, Ohio 43230
Attn: Secretary

17. Settlement of Claims. The Company's obligation to make the

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

18. Miscellaneous. No provision of this Agreement may be modified,

waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreement or

representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement.

19. Governing Law. This Agreement shall be governed by and construed

and enforced in accordance with the laws of the State of Ohio without giving effect to the conflict of law principles thereof.

20. Severability. The provisions of this Agreement shall be deemed

severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

21. Entire Agreement. This Agreement constitutes the entire agreement

between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements, if any, understandings and arrangements, oral or written, between the parties hereto with respect to the subject matter hereof.

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

THE LIMITED, INC.

By: /s/ Leslie H. Wexner

Name: Leslie H. Wexner
Title: Chairman of the Board

/s/ D.P. Finkelman

Daniel P. Finkelman

INDEMNIFICATION AGREEMENT

THIS AGREEMENT is made and entered into as of the 4th day of September, 1996 by and between THE LIMITED, INC., a Delaware corporation (the "Company"), and the undersigned (the "Indemnitee").

RECITALS

WHEREAS, it is essential to the Company that it attract and retain as directors and officers the most capable persons available; and

WHEREAS, Indemnitee is an officer of the Company; and

WHEREAS, both the Company and Indemnitee recognize the increased risk of litigation and other claims being asserted against directors and officers of public companies in the current environment; and

WHEREAS, in recognition of Indemnitee's need for protection against personal liability in order to enhance Indemnitee's continued service to the Company in an effective manner, and in order to induce Indemnitee to continue to provide services to the Company as an officer thereof, the Company wishes to provide in this Agreement for the indemnification of Indemnitee to the fullest extent permitted by law and as set forth in this Agreement;

NOW THEREFORE, in consideration of the foregoing, the covenants contained herein and Indemnitee's continued service to the Company, the Company and Indemnitee, intending to be legally bound, hereby agree as follows:

Section 1. Definitions. The following terms, as used herein, shall have the following respective meanings:

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings relative to the foregoing.

"Change in control" shall be deemed to have occurred if, other than as approved by a majority of the Board of Directors of the Company in office immediately prior to such event (a) any person, other than (i) a trustee or other fiduciary holding Voting Securities under an employee benefit plan of the Company, (ii) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company or (iii) Leslie H. Wexner, his heirs, executors or administrators, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended) of Voting Securities representing 20% or more of the total voting power represented by the Company's then outstanding Voting Securities, or (b) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors of the Company and any new director whose election by the Board of Directors or nomination for election by the Company's stockholders was approved by a vote of at least incurred in connection with investigating, prosecuting or defending, being a witness in or participating in

"Independent Legal Counsel" shall mean a law firm or a member of a law firm that (a) neither is nor in the past five years has been retained to represent in any material matter the Company, any Subsidiary, Indemnitee or any other party to the Claim, (b) under applicable standards of professional conduct then prevailing would not have a conflict of interest in representing either the

Company or Indemnitee in an action to determine Indemnitee's rights to indemnification under this Agreement and (c) is reasonably acceptable to the Company and Indemnitee.

"Loss" means any amount which Indemnitee is legally obligated to pay as a result of any Claim, including, without limitation (a) all judgments, penalties and fines, and amounts paid or to be paid in settlement, (b) all interest, assessments and other charges paid or payable in connection therewith and (c) any federal, state, local or foreign taxes imposed (net of the value to Indemnitee of any tax benefits resulting from tax deductions or otherwise) as a result of the actual or deemed receipt of any payments under this Agreement, including the creation of the Trust.

"Other Enterprise" means any corporation (other than the Company or any Subsidiary), partnership, joint venture, association, employee benefit plan, trust or other enterprise or organization for which Indemnitee acts as a Company Agent at the request of the Company or any Subsidiary. Indemnitee shall be deemed to be acting as a Company Agent of an Other Enterprise at the request of the Company with respect to any Other Enterprise in which the Company or any Subsidiary has an investment as to which Indemnitee shall act as a Company Agent from time to time. Indemnitee shall be deemed to be acting as a Company Agent of an Other Enterprise at the request of the Company, if Indemnitee acts as a Company Agent of an Other Enterprise at the written or oral request of the Board of Directors of the Company or of any Subsidiary by which the Indemnitee is employed from time to time, at the written or oral request of an Executive Officer of the Company or of any Subsidiary by which the Indemnitee is employed from time to time or if Indemnitee acts as a Company Agent of an Other Enterprise by reason of being requested, elected, hired or retained to succeed or assume the responsibilities of a Person who previously acted as a Company Agent of an Other Enterprise at the request of the Company.

"Parent" shall have the meaning set forth in the regulations of the Securities and Exchange Commission under the Securities Act of 1933, as amended; provided the term "Parent" shall not include the board of directors of a corporation in its capacity as a board of directors, and provided further that if the other party to any transaction referred to in Section 12.1.2 has no Parent as so defined above, "Parent" shall mean such other party.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government (or any subdivision, department, commission or agency thereof), and includes without limitation any "person", as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended.

"Potential Change in Control" shall be deemed to have occurred if (a) the Company enters into an agreement or arrangement the consummation of which would result in the occurrence of a Change in Control, (b) any Person (including the Company) publicly two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof, or (c) the stockholders of the Company approve (i) a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the Voting

Securities outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity) at least 80% of the total voting power represented by the Voting Securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or (ii) a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company (in one transaction or a series of transactions) of all or substantially all of the Company's assets.

"Claim" means (a) any threatened, pending or completed action, suit, proceeding or arbitration or other alternative dispute resolution mechanism, or (b) any inquiry, hearing or investigation, whether conducted by the Company or

any other Person, that Indemnitee in good faith believes might lead to the institution of any such action, suit, proceeding or arbitration or other alternative dispute resolution mechanism, in each case whether civil, criminal, administrative or other (whether or not the claims or allegations therein are groundless, false or fraudulent) and includes, without limitation, those brought by or in the name of the Company or any director or officer of the Company.

"Company Agent" means serving as a director, officer, partner, employee, agent, trustee or fiduciary of the Company, any Subsidiary or any Other Enterprise. "Covered Event" means any event or occurrence on or after the date of this Agreement related to the fact that Indemnitee is or was a Company Agent or related to anything done or not done by Indemnitee in any such capacity, and includes, without limitation, any such event or occurrence (a) arising from performance of the responsibilities, obligations or duties imposed by ERISA or any similar applicable provisions of state or common law, or (b) arising from any merger, consolidation or other business combination involving the Company, any Subsidiary or any Other Enterprise, including without limitation any sale or other transfer of all or substantially all of the business or assets of the Company, any Subsidiary or any Other Enterprise.

"D & O Insurance" means the directors' and officers' liability insurance of the Company in effect on the date of this Agreement, and any replacement or substitute policies issued by one or more reputable insurers providing in all respects coverage at least comparable to and in the same amount as that provided by the policy in effect on the date of this Agreement.

"Determination" means a determination made by (a) a majority vote of a quorum of Disinterested Directors; (b) Independent Legal Counsel, in a written opinion addressed to the Company and Indemnitee; (c) the stockholders of the Company; or (d) a decision by a court of competent jurisdiction not subject to further appeal.

"Disinterested Director" shall be a director of the Company who is not or was not a party to the Claim giving rise to the subject matter of a Determination.

"Expenses" includes attorneys' fees and all other costs, travel expenses, fees of experts, transcript costs, filing fees, witness fees, telephone charges, postage, copying costs, delivery services fees and other expenses and obligations of any nature whatsoever paid or announces an intention to take or to consider taking actions which if consummated would constitute a Change in Control or (C) the Board of Directors of the Company adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control has occurred.

"Subsidiary" means any corporation of which more than 50% of the outstanding stock having ordinary voting power to elect a majority of the board of directors of such corporation is now or hereafter owned, directly or indirectly, by the Company.

"Trust" has the meaning set forth in Section 9.2.

"Voting Securities" means any securities of the Company which vote generally in the election of directors.

Section 2. Indemnification.

2.1. General Indemnity Obligation.

2.1.1. Subject to the remaining provisions of this Agreement, the Company hereby indemnifies and holds Indemnitee harmless for any Losses or Expenses arising from any Claims relating to (or arising in whole or in part out of) any Covered Event, including, without limitation, any Claim the basis of which is any actual or alleged breach of duty, neglect, error, misstatement, misleading statement, omission or other act done or attempted by Indemnitee in

the capacity as a Company Agent, whether or not Indemnatee is acting or serving in such capacity at the date of this Agreement, at the time liability is incurred or at the time the Claim is initiated.

2.1.2. The obligations of the Company under this Agreement shall apply to the fullest extent authorized or permitted by the provisions of applicable law, as presently in effect or as changed after the date of this Agreement, whether by statute or judicial decision (but, in the case of any subsequent change, only to the extent that such change permits the Company to provide broader indemnification than permitted prior to giving effect thereto).

2.1.3. Indemnatee shall not be entitled to indemnification pursuant to this Agreement in connection with any Claim initiated by Indemnatee against the Company or any director or officer of the Company, unless the Company has joined in or consented to the initiation of such Claim; provided, the provisions of this Section 2.1.3 shall not apply following a Change in Control to Claims seeking enforcement of this Agreement, the Certificate of Incorporation or Bylaws of the Company or any other agreement now or hereafter in effect relating to indemnification for Covered Events.

2.1.4. If Indemnatee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the Losses or Expenses paid with respect to a Claim but not, however, for the total amount thereof, the Company shall nevertheless indemnify and hold Indemnatee harmless against the portion thereof to which Indemnatee is entitled.

2.1.5. Notwithstanding any other provision of this Agreement, to the extent that Indemnatee has been successful on the merits or otherwise in defense of any or all Claims relating to (or arising in whole or in part out of) a Covered Event or in defense of any issue or matter therein, including dismissal without prejudice, the Company shall indemnify and hold Indemnatee harmless against all expenses incurred in connection therewith.

2.2. Indemnification for Serving as Witness and Certain Other Claims.

Notwithstanding any other provision of this Agreement, the Company hereby indemnifies and holds Indemnatee harmless for all Expenses in connection with (a) the preparation to serve or service as a witness in any Claim in which Indemnatee is not a party, if such actual or proposed service as a witness arose by reason of Indemnatee having served as a Company Agent on or the date of this Agreement and (b) any Claim initiated by Indemnatee on or after the date of this Agreement (i) for recovery under any directors' and

officers' liability insurance maintained by the Company or (ii) following a Change in Control, for enforcement of the indemnification obligations of the Company under this Agreement, the [Certificate]/[Articles] of Incorporation or Bylaws/[Code of regulations] of the Company or any other agreement now or hereafter in effect relating to indemnification for Covered Events, regardless of whether Indemnatee ultimately is determined to be entitled to such insurance recovery or indemnification, as the case may be.

Section 3. Limitations on Indemnification.

3.1. Coverage Limitations. No indemnification is available pursuant to -----
the provisions of this Agreement.

3.1.1. If such indemnification is not lawful;

3.1.2. If Indemnatee's conduct giving rise to the Claim with respect to which indemnification is requested was knowingly fraudulent, a knowing violation of law, deliberately dishonest or in bad faith or constituted willful misconduct;

3.1.3. In respect of any Claim based upon or attributable to Indemnatee gaining in fact any personal profit or advantage to which indemnatee

was not legally entitled;

3.1.4. In respect of any Claim for an accounting of profits made from the purchase or sale by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Securities Exchange Act of 1934, as amended; or

3.1.5. In respect of any Claim based upon any violation of Section 174 of the Delaware General Corporation Law, as amended.

3.2. No Duplication of Payments. The Company shall not be liable under

this Agreement to make any payment otherwise due and payable to the extent Indemnitee has otherwise actually received payment (whether under the Certificate of Incorporation or the Bylaws of the Company, the D & O Insurance or otherwise) of any amounts otherwise due and payable under this Agreement.

Section 4. Payments and Determinations.

4.1. Advancement and Reimbursement of Expenses. If requested by

indemnitee, the Company shall advance to Indemnitee, no later than two business days following any such request, any and all Expenses for which indemnification is available under Section 2. Upon any Determination that indemnitee is not permitted to be indemnified for any expenses so advanced, Indemnitee hereby agrees to reimburse the Company (or, as appropriate, any Trust established pursuant to Section 9.2) for all such amounts previously paid. Such obligation of reimbursement shall be unsecured and no interest shall be charged thereon.

4.2. Payment and Determination Procedures. -----

4.2.1. To obtain indemnification under this Agreement, Indemnitee shall submit to the Company a written request, together with such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification. The Secretary of the Company shall, promptly upon receipt of such a request for

indemnification, advise the Board of Directors in writing that Indemnitee has requested indemnification.

4.2.2. Upon written request by Indemnitee for indemnification pursuant to Section 4.2.1, a Determination with respect to Indemnitee's entitlement thereto shall be made in the specific case (a) if a Change in Control shall have occurred, as provided in Section 9.1; and (b) if a Change in Control shall not have occurred, by (i) the Board of Directors by a majority vote of a quorum of Disinterested Directors, (ii) Independent Legal Counsel, if either (A) a quorum of Disinterested Directors is not obtainable or (B) a majority vote of a quorum of Disinterested Directors otherwise so directs or (iii) the stockholders of the Company (if submitted by the Board of Directors). If a Determination is made that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within 10 days after such Determination.

4.2.3. If no Determination is made within 60 days after receipt by the Company of a request for indemnification by Indemnitee pursuant to Section 4.2.1, a Determination shall be deemed to have been made that Indemnitee is entitled to the requested indemnification (and the Company shall pay the related Losses and Expenses no later than 10 days after the expiration of such 60-day period), except where such indemnification is not lawful; provided, however, that (a) such 60-day period may be extended for a reasonable time, not to exceed an additional 30 days, if the Person or Persons making the Determination in good faith require such additional time for obtaining or evaluating the documentation and information relating thereto; and (b) the foregoing provisions of this Section 4.2.3 shall not apply (i) if the Determination is to be made by the stockholders of the Company and if (A) within 15 days after receipt by the Company of the request by Indemnitee pursuant to Section 4.2.1 the Board of

Directors has resolved to submit such Determination to the stockholders at an annual meeting of the stockholders to be held within 75 days after such receipt, and such Determination is made at such annual meeting, or (B) a special meeting of stockholders is called within 15 days after such receipt for the purpose of making such Determination, such meeting is held for such purpose within 60 days after having been so called and such Determination is made at such special meeting, or (ii) if the Determination is to be made by Independent Legal Counsel.

Section 5. D & O Insurance.

5.1. Current Policies. The Company hereby represents and warrants to -----
Indemniffee that the D & O Insurance is in full force and effect.

5.2. Continued Coverage. The Company shall maintain the D & O Insurance -----
for so long as this Agreement remains in effect. The Company shall cause the D & O Insurance to cover Indemniffee, in accordance with its terms and at all times such insurance is in effect, to the maximum extent of the coverage provided thereby for any director or officer of the Company.

5.3. Indemnification. In the event of any reduction in, or cancellation -----
of, the D & O Insurance (whether voluntary or involuntary on behalf of the Company), the Company shall, and hereby agrees to, indemnify and hold Indemniffee harmless against any Losses or Expenses which Indemniffee is or becomes obligated to pay as a result of the Company's failure to maintain the D & O Insurance in effect in accordance with the provisions of Section 5.2, to the fullest extent permitted by applicable law, notwithstanding any provision of the Certificate of Incorporation or the Bylaws of the Company, or any other agreement now or hereafter in effect relating to indemnification for Covered Events. The indemnification available under this Section 5.3 is in addition to all other obligations of

indemnification of the Company under this Agreement and shall be the only remedy of Indemniffee for a breach by the Company of its obligations set forth in Section 5.2.

Section 6. Subrogation. In the event of any payment under this Agreement to or on behalf of Indemniffee, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemniffee against any Person other than the Company or Indemniffee in respect of the Claim giving rise to such payment. Indemniffee shall execute all papers reasonably required and shall do everything reasonably necessary to secure such rights, including the execution of such documents reasonably necessary to enable the Company effectively to bring suit to enforce such rights.

Section 7. Notifications and Defense of Claims.

7.1. Notice by Indemniffee. Indemniffee shall give notice in writing to -----
the Company as soon as practicable after Indemniffee becomes aware of any Claim with respect to which indemnification will or could be sought under this Agreement; provided the failure of Indemniffee to give such notice, or any delay in giving such notice, shall not relieve the Company of its obligations under this Agreement except to the extent the Company is actually prejudiced by any such failure or delay.

7.2. Insurance. The Company shall give prompt notice of the -----
commencement of any Claim relating to Covered Events to the insurers on the D & O Insurance, if any, in accordance with the procedures set forth in the respective policies in favor of Indemniffee. The Company shall thereafter take all necessary action to cause such insurers to pay, on behalf of Indemniffee, all amounts payable as a result of such Claims in accordance with the terms of such

policies.

7.3. Defense.

7.3.1. In the event any Claim relating to Covered Events is by or in the right of the Company, Indemnatee may, at the option of Indemnatee, either control the defense therefor or accept the defense provided under the D & O Insurance; provided, however, that Indemnatee may not control the defense if such decision would jeopardize the coverage provided by the D & O Insurance, if any, to the Company or the other directors and officers covered thereby.

7.3.2. In the event any Claim relating to Covered Events is other than by or in the right of the Company, Indemnatee may, at the option of Indemnatee, either control the defense thereof, require the Company to defend or accept the defense provided under the D & O Insurance; provided, however, that Indemnatee may not control the defense or require the Company to defend if such decision would jeopardize the coverage provided by the D & O Insurance to the Company or the other directors and officers covered thereby. In the event that Indemnatee requires the Company to so defend, or in the event that Indemnatee proceeds under the D & O Insurance but Indemnatee determines that such insurers under the D & O Insurance are unable or unwilling to adequately defend Indemnatee against any such Claim, the Company shall promptly undertake to defend any such Claim, at the Company's sole cost and expense, utilizing counsel of Indemnatee's choice who has been approved by the Company. If appropriate, the Company shall have the right to participate in the defense of any such Claim.

7.3.3. In the event the Company shall fail, as required by any election by Indemnatee pursuant to Section 7.3.2, timely to defend Indemnatee against any such Claim, Indemnatee shall have the right to do so, including without limitation, the right

(notwithstanding Section 7.3.4) to make any settlement thereof, and to recover from the Company, to the extent otherwise permitted by this Agreement, all Expenses and Losses paid as a result thereof.

7.3.4. The Company shall have no obligation under this Agreement with respect to any amounts paid or to be paid in settlement of any Claim without the express prior written consent of the Company to any related settlement. In no event shall the Company authorize any settlement imposing any liability or other obligations on indemnatee without the express prior written consent of indemnatee. Neither the Company nor Indemnatee shall unreasonably withhold consent to any proposed settlement.

Section 8. Determinations and Related Matters.

8.1. Presumptions.

8.1.1. If a Change in Control shall have occurred, Indemnatee shall be entitled to a rebuttable presumption that Indemnatee is entitled to indemnification under this Agreement and the Company shall have the burden of proof in rebutting such presumption.

8.1.2. The termination of any Claim by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere or its equivalent, shall not adversely affect either the right of Indemnatee to indemnification under this Agreement or the presumptions to which Indemnatee is otherwise entitled pursuant to the provisions of this Agreement nor create a presumption that Indemnatee did not meet any particular standard of conduct or have a particular belief or that a court has determined that indemnification is not permitted by applicable law.

8.2. Appeals; Enforcement.

8.2.1. In the event that (a) a Determination is made that Indemnatee shall not be entitled to indemnification under this Agreement, (b) any Determination to be made by Independent Legal Counsel is not made within 90 days of receipt by the Company of a request for indemnification pursuant to Section 4.2.1 or (c) the Company fails to otherwise perform any of its obligations under this Agreement (including, without limitation, its obligation to make payments to Indemnatee following any Determination made or deemed to have been made that such payments are appropriate), Indemnatee shall have the right to commence a Claim in any court of competent jurisdiction, as appropriate, to seek a Determination by the court, to challenge or appeal any Determination which has been made, or to otherwise enforce this Agreement. If a Change of Control shall have occurred, Indemnatee shall have the option to have any such Claim conducted by a single arbitrator pursuant to the rules of the American Arbitration Association. Any such judicial proceeding challenging or appealing any Determination shall be deemed to be conducted de novo and without

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prejudice by reason of any prior Determination to the effect that Indemnatee is not entitled to indemnification under this Agreement. Any such Claim shall be at the sole expense of Indemnatee except as provided in Section 9.3.

8.2.2. If a Determination shall have been made or deemed to have been made pursuant to this Agreement that Indemnatee is entitled to indemnification, the Company shall be bound by such Determination in any judicial proceeding or arbitration commenced pursuant to this Section 8.2, except if such indemnification is unlawful.

8.2.3. The Company shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 8.2 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement. The Company hereby consents to service of process and to appear in any such judicial or arbitration proceedings and shall not oppose Indemnatee's right to commence any such proceedings.

8.3. Procedures. Indemnatee shall cooperate with the Company and with

any Person making any Determination with respect to any Claim for which a claim for indemnification under this Agreement has been made, as the Company may reasonably require. Indemnatee shall provide to the Company or the Person making any Determination, upon reasonable advance request, any documentation or information reasonably available to Indemnatee and necessary to (a) the Company with respect to any such Claim or (b) the Person making any Determination with respect thereto.

Section 9. Change in Control Procedures.

9.1. Determinations. If there is a Change in Control, any Determination

to be made under Section 4 shall be made by Independent Legal Counsel selected by Indemnatee and approved by the Company (which approval shall not be unreasonably withheld). The Company shall pay the reasonable fees of the Independent Legal Counsel and indemnify fully such Independent Legal Counsel against any and all expenses (including attorneys' fees), claims, liabilities and damages arising out of or relating to this Agreement or the engagement of Independent Legal Counsel pursuant hereto.

9.2. Establishment of Trust. Following the occurrence of any Potential

Change in Control, the Company, upon receipt of a written request from Indemnatee, shall create a Trust (the "Trust") for the benefit of Indemnatee, the trustee of which shall be a bank or similar financial institution with trust powers chosen by Indemnatee. From time to time, upon the written request of Indemnatee, the Company shall fund the Trust in amounts sufficient to satisfy any and all Losses and Expenses reasonably anticipated at the time of each such request to be incurred by Indemnatee for which indemnification may be available

under this Agreement. The amount or amounts to be deposited in the Trust pursuant to the foregoing funding obligation shall be determined by mutual agreement of Indemnitee and the Company or, if the Company and Indemnitee are unable to reach such an agreement or, in any event, a Change in Control has occurred, by Independent Legal Counsel (selected pursuant to Section 9.1). The terms of the Trust shall provide that, except upon the prior written consent of Indemnitee and the Company, (a) the Trust shall not be revoked or the principal thereof invaded, other than to make payments to unsatisfied judgment creditors of the Company, (b) the Trust shall continue to be funded by the Company in accordance with the funding obligations set forth in this Section, (c) the Trustee shall promptly pay or advance to Indemnitee any amounts to which Indemnitee shall be entitled pursuant to this Agreement, and (d) all unexpended funds in the Trust shall revert to the Company upon a Determination by Independent Legal Counsel (selected pursuant to Section 9.1) or a court of competent jurisdiction that Indemnitee has been fully indemnified under the terms of this Agreement. All income earned on the assets held in the trust shall be reported as income by the Company for federal, state, local and foreign tax purposes.

9.3. Expenses. Following any Change in Control, the Company shall be

liable for, and shall pay the Expenses paid or incurred by Indemnitee in connection with the making of any Determination (irrespective of the determination as to Indemnitee's entitlement to indemnification) or the prosecution of any Claim pursuant to Section 8.2,

and the Company hereby agrees to indemnify and hold Indemnitee harmless therefrom. If requested by counsel for Indemnitee, the Company shall promptly give such counsel an appropriate written agreement with respect to the payment of its fees and expenses and such other matters as may be reasonably requested by such counsel.

Section 10. Period of Limitations. No legal action shall be brought and no cause of action shall be asserted by or in the right of the Company, any Subsidiary, any Other Enterprise or any Affiliate of the Company against Indemnitee or Indemnitee's spouse, heirs, executors, administrators or personal or legal representatives after the expiration of two years from the date of accrual of such cause of action, and any claim or cause of action of the Company, any Subsidiary, any Other Enterprise or any Affiliate of the Company shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such two-year period; provided, however, that if any shorter period of limitations, whether established by statute or judicial decision, is otherwise applicable to any such cause of action such shorter period shall govern.

Section 11. Contribution. If the indemnification provisions of this Agreement should be unenforceable under applicable law in whole or in part or insufficient to hold Indemnitee harmless in respect of any Losses and Expenses incurred by Indemnitee, then for purposes of this Section 11, the Company shall be treated as if it were, or was threatened to be made, a party defendant to the subject Claim and the Company shall contribute to the amounts paid or payable by Indemnitee as a result of such Losses and Expenses incurred by Indemnitee in such proportion as is appropriate to reflect the relative benefits accruing to the Company on the one hand and Indemnitee on the other and the relative fault of the Company on the one hand and Indemnitee on the other in connection with such Claim, as well as any other relevant equitable considerations. For purposes of this Section 11 the relative benefit of the Company shall be deemed to be the benefits accruing to it and to all of its directors, officers, employees and agents (other than Indemnitee) on the one hand, as a group and treated as one entity, and the relative benefit of Indemnitee shall be deemed to be an amount not greater than the Indemnitee's yearly base salary or Indemnitee's compensation from the Company during the first year in which the Covered Event forming the basis for the subject Claim was alleged to have occurred. The relative fault shall be determined by reference to, among other things, the fault of the Company and all of its directors, officers, employees and agents (other than Indemnitee) on the one hand, as a group and treated as one entity,

and Indemnitee's and such group's relative intent, knowledge, access to information and opportunity to have altered or prevented the Covered Event forming the basis for the subject Claim.

Section 12. Miscellaneous Provisions.

12.1. Successors and Assigns, Etc.

12.1.1. This Agreement shall be binding upon and inure to the benefit of (a) the Company, its successors and assigns (including any direct or indirect successor by merger, consolidation or operation of law or by transfer of all or substantially all of its assets) and (b) Indemnitee and the heirs, personal and legal representatives, executors, administrators or assigns of Indemnitee.

12.1.2. The Company shall not consummate any consolidation, merger or other business combination, nor will it transfer 50% or more of its assets (in one or a series of related transactions), unless the ultimate Parent of the successor to the business or assets of the Company shall have first executed an agreement, in form and substance satisfactory to Indemnitee, to expressly assume all obligations of the Company under this Agreement and agree to perform this Agreement in accordance with its terms, in the same manner

and to the same extent that the Company would be required to perform this Agreement if no such transaction had taken place; provided that, if the Parent is not the Company, the legality of payment of indemnity by the Parent shall be determined by reference to the fact that such indemnity is to be paid by the Parent rather than the Company.

12.2. Severability. The provisions of this Agreement are severable.

If any provision of this Agreement shall be held by any court of competent jurisdiction to be invalid, void or unenforceable, such provision shall be deemed to be modified to the minimum extent necessary to avoid a violation of law and, as so modified, such provision and the remaining provisions shall remain valid and enforceable in accordance with their terms to the fullest extent permitted by law.

12.3. Rights Not Exclusive; Continuation of Right of

Indemnification. Nothing in this Agreement shall be deemed to diminish or

otherwise restrict Indemnitee's right to indemnification pursuant to any provision of the [Certificate]/[Articles] of incorporation or Bylaws/[Code of Regulations] of the Company, any agreement, vote of stockholders or Disinterested Directors, applicable law or otherwise. This Agreement shall be effective as of the date first above written and continue in effect until no Claims relating to any Covered Event may be asserted against Indemnitee and until any Claims commenced prior thereto are finally terminated and resolved, regardless of whether Indemnitee continues to serve as an officer of the Company, any Subsidiary or any Other Enterprise.

12.4. No Employment Agreement. Nothing contained in this Agreement

shall be construed as giving Indemnitee any right to be retained in the employ of the Company, any Subsidiary or any Other Enterprise.

12.5. Subsequent Amendment. No amendment, termination or repeal of

any provision of the [Certificate]/[Articles] of Incorporation or [Bylaws]/[Code or Regulations] of the Company, or any respective successors thereto, or of any relevant provision of any applicable law, shall affect or diminish in any way the rights of Indemnitee to indemnification, or the obligations of the Company,

arising under this Agreement, whether the alleged actions or conduct of Indemnatee giving rise to the necessity of such indemnification arose before or after any such amendment, termination or repeal.

12.6. Notices. Notices required under this Agreement shall be given

in writing and shall be deemed given when delivered in person or sent by certified or registered mail, return receipt requested, postage prepaid. Notices shall be directed to the Company Three Limited Parkway, Columbus, OH 43230, Attention: Chairman of the Board, and to Indemnatee at the residential address as shown on the Company's records (or such other address as either party may designate in writing to the other).

12.7. Governing Law. This Agreement shall be governed by and

construed and enforced in accordance with the laws of the State of Delaware applicable to contracts made and performed in such state without giving effect to the principles of conflict of laws.

12.8. Headings. The headings of the Sections of this Agreement are

inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

12.9. Counterparts. This Agreement may be executed in any number of

counterparts all of which taken together shall constitute one instrument.

12.10. Modification and Waiver. No supplement, modification or

amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver or any of the provisions of this Agreement shall constitute, or be deemed to constitute, a waiver of any other provision hereof (whether or not similar) nor shall any such waiver constitute a continuing waiver.

The parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

THE LIMITED, INC.

INDEMNITEE

By /s/ Samuel P. Fried

/s/ Daniel P. Finkelman

Name: Samuel P. Fried

Name: Daniel P. Finkelman

Title: Vice President and General Counsel

CONFIDENTIALITY, NON-COMPETITION AND

INTELLECTUAL PROPERTY AGREEMENT

As an executive associate of a subsidiary of either The Limited, Inc. or Intimate Brands, Inc. or one of their affiliates (collectively, the "Company"), I have access to or may develop trade secrets, intellectual property, and other confidential or proprietary information ("Confidential Information") of the Company.

THEREFORE, in consideration of special compensation, in the form of the award (effective with your date of hire) to receive options to acquire 30,000 shares of the common stock of The Limited, Inc. pursuant to the terms of the Plan, and in recognition of the highly competitive nature of the business conduct by the Company, I agree as follows:

1. I will at all times during and after my employment with the Company faithfully hold the Company's Confidential Information in the strictest confidence, and I will use my best effects and highest diligence to guard against its disclosure to anyone other than as required in the performance of my duties to the Company. I will not use Confidential Information for my personal benefit or for the benefit of any competitor or other person. I understand that Confidential Information includes all information and materials relating to Intellectual Property, as defined below, the Company's trade secrets and all information relating to the Company that the Company has not made available to the public. By way of example, Confidential Information includes information about the Company's products, designs, processes, advertising, marketing, promotional plans, technical procedures, strategies, financial information, and many other types of information and materials. Upon termination of my employment with the Company, regardless of the reason for such termination, I will return to the Company all documents and other materials of any kind that contain Confidential Information. I will not use any confidential information of any third party, including any prior employer, in the course of my work for the Company.

2. If I leave the Company for any reason whatsoever, then for a period of twelve (12) months after my separation from the Company, I will not directly or indirectly solicit, induce or attempt to influence any associate to leave the employment of the Company, nor will I in any way assist anyone else in doing so.

3. I understand that my employment with the Company is and at all times shall be "at will," which means that either the Company or I may terminate my employment at any time, for any reason or for no reason. However, if my employment with the Company is terminated by the Company for reasons other than for cause as defined below, I understand that the Company will continue to pay me my weekly base salary for a period of twenty-six (26) weeks, minus the deductions required by law and subject to a deduction for any salary or compensation that I earn from other employment or self-employment during the time period in question, regardless of when such amount is payable. Cause for termination of my employment shall exist in the event I: (1) willfully fail to perform my duties with the Company (other than a failure resulting from my incapacity due to physical or mental illness); or (2) plead "guilty" or "no contest" to or am convicted of an act which is defined as a felony under federal or state law; or (3) engage in willful misconduct in bad faith which could reasonably be expected to materially harm the Company's business or its reputation.

4. If I decide to resign my employment with the Company, I will provide the Company with thirty (30) days prior written notice.

5. If I resign my employment or if my employment is terminated by the Company for cause, I will not, for a period of six (6) months after my

separation from the Company, directly or indirectly, work for or contribute to the efforts of any business organization that competes, or plans to compete, with the Company or its products.

6. I agree that all inventions, designs and ideas conceived, produced, created, or reduced to practice, either solely or jointly with others, during my employment with the Company, including those developed on my own time, which relate to or are useful in the Company's business ("Intellectual Property") shall be owned solely by the Company. I understand that whether in preliminary or final form, such Intellectual Property includes, for example, all ideas, inventions, discoveries, designs, innovations, improvements, trade secrets, and other intellectual property. All Intellectual Property is either work made for hire for the Company within the meaning of the U.S. Copyright Act, or, if such Intellectual Property is determined not to be work made for hire, then I irrevocably assign all right, title and interest in and to the Intellectual Property to the Company, including all copyrights, patents, and/or trademarks. I will, without any additional consideration, execute all documents and take all other actions needed to convey my complete ownership of the Intellectual Property to the Company so that the Company may own and protect such Intellectual Property and obtain patent, copyright and trademark registrations for it. I agree that the Company may alter or modify the Intellectual Property at the Company's sole discretion, and I wave all right to claim or disclaim authorship. I represent and warrant that any Intellectual Property that I assign to the Company, except as otherwise disclosed in writing at the time of assignment, will be my sole, exclusive, original work. I have not previously invented any Intellectual Property or I have advised the Company in writing of any prior inventions or ideas.

7. This Agreement cannot be changed in any way unless the Company agrees in writing and this Agreement will be governed by and interpreted in accordance with Ohio law.

Date: January 24, 2000

Date: January 24, 2000

/s/ Mark A. Giresi

Mark Giresi

INDEMNIFICATION AGREEMENT

THIS AGREEMENT is made and entered into as of the 10th day of December 2001 by and between THE LIMITED, INC., a Delaware corporation (the "Company"), and the undersigned (the "Indemnitee").

RECITALS

WHEREAS, it is essential to the Company that it attract and retain as directors and officers the most capable persons available; and

WHEREAS, Indemnitee is a director and/or officer of the Company; and

WHEREAS, both the Company and Indemnitee recognize the increased risk of litigation and other claims being asserted against directors and officers of public companies in the current environment; and

WHEREAS, in recognition of Indemnitee's need for protection against personal liability in order to enhance Indemnitee's continued service to the Company in an effective manner, and in order to induce Indemnitee to continue to provide services to the Company as a director or officer thereof, the Company wishes to provide in this Agreement for the indemnification of Indemnitee to the fullest extent permitted by law and as set forth in this Agreement;

NOW THEREFORE, in consideration of the foregoing, the covenants contained herein and Indemnitee's continued service to the Company, the Company and Indemnitee, intending to be legally bound, hereby agree as follows:

Section 1. Definitions. The following terms, as used herein, shall have the following respective meanings:

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings relative to the foregoing.

"Change in control" shall be deemed to have occurred if, other than as approved by a majority of the Board of Directors of the Company in office immediately prior to such event (a) any person, other than (i) a trustee or other fiduciary holding Voting Securities under an employee benefit plan of the Company, (ii) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company or (iii) The Limited, Inc. ("The Limited"), any subsidiary of The Limited or any successor to The Limited or any subsidiary thereof or (iv) Leslie H. Wexner, his heirs, executors or administrators, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended) of Voting Securities representing 20% or more of the total voting power represented by the Company's then outstanding Voting Securities, or (b) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors of the Company and any new director whose election by the Board of Directors or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose

election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof, or (c) the stockholders of the Company approve (i) a merger or consolidation of the Company with any other corporation,

other than (A) a merger or consolidation which would result in the Voting Securities outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity) at least 80% of the total voting power represented by the Voting Securities of the Company or such surviving entity outstanding immediately after such merger or consolidation and (B) a merger or consolidation with The Limited, any subsidiary of The Limited or any successor to The Limited or any subsidiary thereof, or (ii) a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company (in one transaction or a series of transactions) of all or substantially all of the Company's assets.

"Claim" means (a) any threatened, pending or completed action, suit, proceeding or arbitration or other alternative dispute resolution mechanism, or (b) any inquiry, hearing or investigation, whether conducted by the Company or any other Person, that Indemnitee in good faith believes might lead to the institution of any such action, suit, proceeding or arbitration or other alternative dispute resolution mechanism, in each case whether civil, criminal, administrative or other (whether or not the claims or allegations therein are groundless, false or fraudulent) and includes, without limitation, those brought by or in the name of the Company or any director or officer of the Company.

"Company Agent" means serving as a director, officer, partner, employee, agent, trustee or fiduciary of the Company, any Subsidiary or any Other Enterprise.

"Covered Event" means any event or occurrence on or after the date of this Agreement related to the fact that Indemnitee is or was a Company Agent or related to anything done or not done by Indemnitee in any such capacity, and includes, without limitation, any such event or occurrence (a) arising from performance of the responsibilities, obligations or duties imposed by ERISA or any similar applicable provisions of state or common law, or (b) arising from any merger, consolidation or other business combination involving the Company, any Subsidiary or any Other Enterprise, including without limitation any sale or other transfer of all or substantially all of the business or assets of the Company, any Subsidiary or any Other Enterprise.

"D & O Insurance" means the directors' and officers' liability insurance of the Company in effect on the date of this Agreement, and any replacement or substitute policies issued by one or more reputable insurers providing in all respects coverage at least comparable to and in the same amount as that provided by the policy in effect on the date of this Agreement.

"Determination" means a determination made by (a) a majority vote of a quorum of Disinterested Directors; (b) Independent Legal Counsel, in a written opinion addressed to the Company and Indemnitee; (c) the stockholders of the Company; or (d) a decision by a court of competent jurisdiction not subject to further appeal.

"Disinterested Director" shall be a director of the Company who is not or was not a party to the Claim giving rise to the subject matter of a Determination.

"Expenses" includes attorneys' fees and all other costs, travel expenses, fees of experts, transcript costs, filing fees, witness fees, telephone charges, postage, copying costs, delivery services fees and other expenses and obligations of any nature whatsoever paid or incurred in connection with investigating, prosecuting or

defending, being a witness in or participating in (including on appeal), or preparing to prosecute or defend, be a witness in or participate in any Claim, for which Indemnitee is or becomes legally obligated to pay.

"Independent Legal Counsel" shall mean a law firm or a member of a law firm that (a) neither is nor in the past five years has been retained to represent in any material matter the Company, any Subsidiary, Indemnitee or any other party

to the Claim, (b) under applicable standards of professional conduct then prevailing would not have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights to indemnification under this Agreement and (c) is reasonably acceptable to the Company and Indemnitee.

"Loss" means any amount which Indemnitee is legally obligated to pay as a result of any Claim, including, without limitation (a) all judgments, penalties and fines, and amounts paid or to be paid in settlement, (b) all interest, assessments and other charges paid or payable in connection therewith and (c) any federal, state, local or foreign taxes imposed (net of the value to Indemnitee of any tax benefits resulting from tax deductions or otherwise) as a result of the actual or deemed receipt of any payments under this Agreement, including the creation of the Trust.

"Other Enterprise" means any corporation (other than the Company or any Subsidiary), partnership, joint venture, association, employee benefit plan, trust or other enterprise or organization for which Indemnitee acts as a Company Agent at the request of the Company or any Subsidiary. Indemnitee shall be deemed to be acting as a Company Agent of an Other Enterprise at the request of the Company with respect to any Other Enterprise in which the Company or any Subsidiary has an investment as to which Indemnitee shall act as a Company Agent from time to time. Indemnitee shall be deemed to be acting as a Company Agent of an Other Enterprise at the request of the Company, if Indemnitee acts as a Company Agent of an Other Enterprise at the written or oral request of the Board of Directors of the Company or of any Subsidiary by which the Indemnitee is employed from time to time, at the written or oral request of an Executive Officer of the Company or of any Subsidiary by which the Indemnitee is employed from time to time or if Indemnitee acts as a Company Agent of an Other Enterprise by reason of being requested, elected, hired or retained to succeed or assume the responsibilities of a Person who previously acted as a Company Agent of an Other Enterprise at the request of the Company.

"Parent" shall have the meaning set forth in the regulations of the Securities and Exchange Commission under the Securities Act of 1933, as amended; provided the term "Parent" shall not include the board of directors of a corporation in its capacity as a board of directors, and provided further that if the other party to any transaction referred to in Section 12.1.2 has no Parent as so defined above, "Parent" shall mean such other party.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government (or any subdivision, department, commission or agency thereof), and includes without limitation any "person", as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended.

"Potential Change in Control" shall be deemed to have occurred if (a) the Company enters into an agreement or arrangement the consummation of which would result in the occurrence of a Change in Control, (b) any Person (including the Company) publicly announces an intention to take or to consider taking actions which if consummated would constitute a Change in Control or (c) the Board of Directors of

the Company adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control has occurred.

"Subsidiary" means any corporation of which more than 50% of the outstanding stock having ordinary voting power to elect a majority of the board of directors of such corporation is now or hereafter owned, directly or indirectly, by the Company.

"Trust" has the meaning set forth in Section 9.2.

"Voting Securities" means any securities of the Company which vote generally in the election of directors.

Section 2. Indemnification.

2.1. General Indemnity Obligation.

2.1.1. Subject to the remaining provisions of this Agreement, the Company hereby indemnifies and holds Indemnitee harmless for any Losses or Expenses arising from any Claims relating to (or arising in whole or in part out of) any Covered Event, including, without limitation, any Claim the basis of which is any actual or alleged breach of duty, neglect, error, misstatement, misleading statement, omission or other act done or attempted by Indemnitee in the capacity as a Company Agent, whether or not Indemnitee is acting or serving in such capacity at the date of this Agreement, at the time liability is incurred or at the time the Claim is initiated.

2.1.2. The obligations of the Company under this Agreement shall apply to the fullest extent authorized or permitted by the provisions of applicable law, as presently in effect or as changed after the date of this Agreement, whether by statute or judicial decision (but, in the case of any subsequent change, only to the extent that such change permits the Company to provide broader indemnification than permitted prior to giving effect thereto).

2.1.3. Indemnitee shall not be entitled to indemnification pursuant to this Agreement in connection with any Claim initiated by Indemnitee against the Company or any director or officer of the Company, unless the Company has joined in or consented to the initiation of such Claim; provided, the provisions of this Section 2.1.3 shall not apply following a Change in Control to Claims seeking enforcement of this Agreement, the Certificate of Incorporation or Bylaws of the Company or any other agreement now or hereafter in effect relating to indemnification for Covered Events.

2.1.4. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the Losses or Expenses paid with respect to a Claim but not, however, for the total amount thereof, the Company shall nevertheless indemnify and hold Indemnitee harmless against the portion thereof to which Indemnitee is entitled.

2.1.5. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee has been successful on the merits or otherwise in defense of any or all Claims relating to (or arising in whole or in part out of) a Covered Event or in defense of any issue or matter therein, including dismissal without prejudice, the Company shall indemnify and hold Indemnitee harmless against all expenses incurred in connection therewith.

2.2. Indemnification for Serving as Witness and Certain Other Claims.

Notwithstanding any other provision of this Agreement, the Company hereby indemnifies and holds Indemnitee harmless for all Expenses in connection with (a) the preparation to serve or service as a witness in any Claim in which Indemnitee is not a party, if such actual or proposed service as a witness arose by reason of Indemnitee having served as a Company Agent on or the date of this Agreement and (b) any Claim initiated by Indemnitee on or after the date of this Agreement (i) for recovery under any directors' and officers' liability insurance maintained by the Company or (ii) following a Change in Control, for enforcement of the indemnification obligations of the Company under this Agreement, the Certificate of Incorporation or Bylaws of the Company or any other agreement now or hereafter in effect relating to indemnification for Covered Events, regardless of whether Indemnitee ultimately is determined to be entitled to such insurance recovery or indemnification, as the case may be.

Section 3. Limitations on Indemnification.

3.1 Coverage Limitations. No indemnification is available pursuant

to the provisions of this Agreement:

3.1.1. If such indemnification is not lawful;

3.1.2. If Indemnitee's conduct giving rise to the Claim with respect to which indemnification is requested was knowingly fraudulent, a knowing violation of law, deliberately dishonest or in bad faith or constituted willful misconduct;

3.1.3. In respect of any Claim based upon or attributable to Indemnitee gaining in fact any personal profit or advantage to which Indemnitee was not legally entitled;

3.1.4. In respect of any Claim for an accounting of profits made from the purchase or sale by Indemnitee of securities of the Company within the meaning of Section 16(b) of the SEcurities Exchange Act of 1934, as amended; or

3.1.5. In respect of any Claim based upon any violation of Section 174 of the Delaware General Corporation Law as amended.

3.2 No Duplication of Payments. The Company shall not be liable

under this Agreement to make any payment otherwise due and payable to the extent Indemnitee has otherwise actually received payment (whether under the Certificate of Incorporation or the Bylaws of the Company, the D & O Insurance or otherwise) of any amounts otherwise sue and payable under this Agreement.

Section 4. Payments and Determinations.

4.1. Advancement and Reimbursement of Expenses. If requested by

Indemnitee, the Company shall advance to Indemnitee, no later than two business days following any such request, any and all Expenses for which indemnification is available under Section 2. Upon any Determination that Indemnitee hereby agrees to reimburse the Company (or, as appropriate, any Trust established pursuant to Section 9.2) for all such amounts previously paid. Such obligation of reimbursement shall be unsecured and no interest shall be charged thereon.

4.2 Payment and Determination Procedures.

4.2.1. To obtain indemnification under this Agreement, Indemnitee shall submit to the Company a written request, together with such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification. The Secretary of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board of Directors in writing that Indemnitee has requested indemnification.

4.2.2. Upon written request by Indemnitee for indemnification pursuant to Section 4.2.1., a Determination with respect to Indemnitee's entitlement thereto shall be made in the specific case (a) if a Change in Control shall have occurred, as provided in Section 9.1; and (b) if a Change in Control shall not have occurred, by (i) the Board of Directors by a majority vote of a quorum of Disinterested Directors, (ii) Independent Legal Counsel, if either (A) a quorum of Disinterested Directors is not obtainable or (B) a majority vote of a quorum of Disinterested Directors otherwise so directs or (iii) the stockholders of the Company (if submitted by the Board of Directors). If a Determination is made that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within 10 days after such Determination.

4.2.3. If no Determination is made within 60 days after receipt by the Company of a request for indemnification by Indemnitee pursuant to Section 4.2.1, a Determination shall be deemed to have been made that Indemnitee is entitled to the requested indemnification (and the Company shall pay the related Losses and Expenses no later than 10 days after the expiration of such 60-day period), except where such indemnification is not lawful; provided, however, that (a) such 60-day period may be extended for a reasonable time, not

to exceed an additional 30 days, if the Person or Persons making the Determination in good faith require such additional time for obtaining or evaluating the documentation and information relating thereto; and (b) the foregoing provisions of this Section 4.2.3 shall not apply (i) if the Determination is to be made by the stockholders of the Company and if (A) within 15 days after receipt by the Company of the request by Indemnitee pursuant to Section 4.2.1. the Board of Directors has resolved to submit such Determination to the stockholders at an annual meeting of the stockholders to be held within 75 days after such receipt, and such Determination is made at such annual meeting, or (B) a special meeting of stockholders is called within 15 days after such receipt for the purpose of making such Determination, such meeting is held for such purpose within 60 days after having been so called and such Determination is made at such special meeting, or (ii) if the Determination is to be made by Independent Legal Counsel.

Section 5. D & O Insurance.

5.1 Current Policies. The Company hereby represents and warrants to

Indemnitee that the D & O Insurance is in full force and effect.

5.2 Continued Coverage. The Company shall maintain the D & O

Insurance for so long as his Agreement remains in effect. The Company shall cause the D & O Insurance to cover Indemnitee, in accordance with its terms and at all times such insurance is in effect, to the maximum extent of the coverage provided thereby for any director or officer of the Company.

5.3 Indemnification. In the event of any reduction in, or cancellation of,

the D & O Insurance (whether voluntary or involuntary on behalf of the Company), the Company shall, and hereby agrees to, indemnify and hold Indemnitee harmless against any Losses or Expenses which Indemnitee is or becomes obligated to pay as a result of the Company's failure to maintain the D & O Insurance in effect in accordance with the provisions of Section 5.2, to the fullest extent permitted by applicable law, notwithstanding any provision of the Certificate of Incorporation or the Bylaws of the Company, or any other agreement now or hereafter in effect relating to indemnification for Covered Events. The indemnification available under this Section 5.3 is in addition to all other obligations of indemnification of the Company under this Agreement and shall be the only remedy of Indemnitee for a breach by the Company of its obligations set forth in Section 5.2.

Section 6. Subrogation. In the event of any payment under this Agreement to or on behalf of Indemnitee, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee against any Person other than the Company or Indemnitee in respect of the Claim giving rise to such payment. Indemnitee shall execute all papers reasonably required and shall do everything reasonably necessary to secure such rights, including the execution of such documents reasonably necessary to enable the Company effectively to bring suit to enforce such rights.

Section 7. Notifications and Defense of Claims.

7.1. Notice by Indemnitee. Indemnitee shall give notice in writing to the

Company as soon as practicable after Indemnitee becomes aware of any Claim with respect to which indemnification will or could be sought under this Agreement; provided the failure of Indemnitee to give such notice, or any delay in giving such notice, shall not relieve the Company of its obligations under this Agreement except to the extent the Company is actually prejudiced by any such failure or delay.

7.2. Insurance. The Company shall give prompt notice of the commencement of

any Claim relating to Covered Events to the insurers on the D & O Insurance, if

any, in accordance with the procedures set forth in the respective policies in favor of Indemnitee. The Company shall thereafter take all necessary action to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such Claims in accordance with the terms of such policies.

7.3. Defense.

7.3.1. In the event any Claim relating to Covered Events is by or in the right of the Company, Indemnitee may, at the option of Indemnitee, either control the defense therefor or accept the defense provided under the D & O Insurance; provided, however, that Indemnitee may not control the defense if such decision would jeopardize the coverage provided by the D & O Insurance, if any, to the Company or the other directors and officers covered thereby.

7.3.2. In the event any Claim relating to Covered Events is other than by or in the right of the Company, Indemnitee may, at the option of Indemnitee, either control the defense thereof, require the Company to defend or accept the defense provided under the D & O Insurance; provided, however, that Indemnitee may not control the defense or require the Company to defend if such decision would jeopardize the coverage provided by the D & O Insurance to the Company or the other directors and officers covered thereby. In the event that Indemnitee requires the Company to so defend, or in the event that Indemnitee proceeds under the D & O

Insurance but Indemnitee determines that such insurers under the D & O Insurance are unable or unwilling to adequately defend Indemnitee against any such Claim, the Company shall promptly undertake to defend any such Claim, at the Company's sole cost and expense, utilizing counsel of Indemnitee's choice who has been approved by the Company. If appropriate, the Company shall have the right to participate in the defense of any such Claim.

7.3.3. In the event the Company shall fail, as required by any election by Indemnitee pursuant to Section 7.3.2, timely to defend Indemnitee against any such Claim, Indemnitee shall have the right to do so, including without limitation, the right (notwithstanding Section 7.3.4) to make any settlement thereof, and to recover from the Company, to the extent otherwise permitted by this Agreement, all Expenses and Losses paid as a result thereof.

7.3.4. The Company shall have no obligation under this Agreement with respect to any amounts paid or to be paid in settlement of any Claim without the express prior written consent of the Company to any related settlement. In no event shall the Company authorize any settlement imposing any liability or other obligations on Indemnitee without the express prior written consent of Indemnitee. Neither the Company nor Indemnitee shall unreasonably withhold consent to any proposed settlement.

Section 8. Determinations and Related Matters.

8.1. Presumptions.

8.1.1. If a Change in Control shall have occurred, Indemnitee shall be entitled to a rebuttable presumption that Indemnitee is entitled to indemnification under this Agreement and the Company shall have the burden of proof in rebutting such presumption.

8.1.2. The termination of any Claim by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere or its equivalent, shall not adversely affect either the right of Indemnitee to indemnification under this Agreement or the presumptions to which Indemnitee is otherwise entitled pursuant to the provisions of this Agreement nor create a presumption that Indemnitee did not meet any particular standard of conduct or have a particular belief or that a court has determined that indemnification is not permitted by applicable law.

8.2. Appeals; Enforcement.

8.2.1. In the event that (a) a Determination is made that Indemnatee shall not be entitled to indemnification under this Agreement, (b) any Determination to be made by Independent Legal Counsel is not made within 90 days of receipt by the Company of a request for indemnification pursuant to Section 4.2.1 or (c) the Company fails to otherwise perform any of its obligations under this Agreement (including, without limitation, its obligation to make payments to Indemnatee following any Determination made or deemed to have been made that such payments are appropriate), Indemnatee shall have the right to commence a Claim in any court of competent jurisdiction, as appropriate, to seek a Determination by the court, to challenge or appeal any Determination which has been made, or to otherwise enforce this Agreement. If a Change of Control shall have occurred, Indemnatee shall have the option to have any such Claim conducted by a single arbitrator pursuant to the rules of the American Arbitration Association. Any such judicial proceeding challenging or

appealing any Determination shall be deemed to be conducted de novo and without
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prejudice by reason of any prior Determination to the effect that Indemnatee is not entitled to indemnification under this Agreement. Any such Claim shall be at the sole expense of Indemnatee except as provided in Section 9.3.

8.2.2. If a Determination shall have been made or deemed to have been made pursuant to this Agreement that Indemnatee is entitled to indemnification, the Company shall be bound by such Determination in any judicial proceeding or arbitration commenced pursuant to this Section 8.2, except if such indemnification is unlawful.

8.2.3. The Company shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 8.2 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement. The Company hereby consents to service of process and to appear in any such judicial or arbitration proceedings and shall not oppose Indemnatee's right to commence any such proceedings.

8.3. Procedures. Indemnatee shall cooperate with the Company and

with any Person making any Determination with respect to any Claim for which a claim for indemnification under this Agreement has been made, as the Company may reasonably require. Indemnatee shall provide to the Company or the Person making any Determination, upon reasonable advance request, any documentation or information reasonably available to Indemnatee and necessary to (a) the Company with respect to any such Claim or (b) the Person making any Determination with respect thereto.

Section 9. Change in Control Procedures.

9.1. Determinations. If there is a Change in Control, any

Determination to be made under Section 4 shall be made by Independent Legal Counsel selected by Indemnatee and approved by the Company (which approval shall not be unreasonably withheld). The Company shall pay the reasonable fees of the Independent Legal Counsel and indemnify fully such Independent Legal Counsel against any and all expenses (including attorney's fees), claims, liabilities and damages arising out of or relating to this Agreement or the engagement of Independent Legal Counsel pursuant hereto.

9.2. Establishment of Trust. Following the occurrence of any

Potential Change in Control, the Company, upon receipt of a written request from Indemnatee, shall create a Trust (the "Trust") for the benefit of Indemnatee, the trustee of which shall be a bank or similar financial institution with trust

powers chosen by Indemnitee. From time to time, upon the written request of Indemnitee, the Company shall fund the Trust in amounts sufficient to satisfy any and all Losses and Expenses reasonably anticipated at the time of each such request to be incurred by Indemnitee for which indemnification may be available under this Agreement. The amount or amounts to be deposited in the Trust pursuant to the foregoing funding obligation shall be determined by mutual agreement of Indemnitee and the Company or, if the Company and Indemnitee are unable to reach such an agreement or, in any event, a Change in Control has occurred, by Independent Legal Counsel (selected pursuant to Section 9.1). The terms of the Trust shall provide that, except upon the prior written consent of Indemnitee and the Company, (a) the Trust shall not be revoked or the principal thereof invaded, other than to make payments to unsatisfied judgement creditors of the Company, (b) the Trust shall continue to be funded by the Company in accordance

with the funding obligations set forth in this Section, (c) the Trustee shall promptly pay or advance to Indemnitee any amounts to which Indemnitee shall be entitled pursuant to this Agreement, and (d) all unexpended funds in the Trust shall revert to the Company upon a Determination by Independent Legal Counsel (selected pursuant to Section 9.1) or a court of competent jurisdiction that Indemnitee has been fully indemnified under the terms of this Agreement. All income earned on the assets held in the trust shall be reported as income by the Company for federal, state, local and foreign tax purposes.

9.3. Expenses. Following any Change in Control, the Company shall be

liable for, and shall pay the Expenses paid or incurred by Indemnitee in connection with the making of any Determination (irrespective of the determination as to Indemnitee's entitlement to indemnification) or the prosecution of any Claim pursuant to Section 8.2, and the Company hereby agrees to indemnify and hold Indemnitee harmless therefrom. If requested by counsel for Indemnitee, the Company shall promptly give such counsel an appropriate written agreement with respect to the payment of its fees and expenses and such other matters as may be reasonably requested by such counsel.

Section 10. Period of Limitations. No legal action shall be brought and no cause of action shall be asserted by or in the right of the Company, any Subsidiary, any Other Enterprise or any Affiliate of the Company against Indemnitee or Indemnitee's spouse, heirs, executors, administrators or personal or legal representatives after the expiration of two years from the date of accrual of such cause of action, and any claim or cause of action of the Company, any Subsidiary, any Other Enterprise or any Affiliate of the Company shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such two-year period; provided, however, that if any shorter period of limitations, whether established by statute or judicial decision, is otherwise applicable to any such cause of action such shorter period shall govern.

Section 11. Contribution. If the Indemnification provisions of this Agreement should be unenforceable under applicable law in whole or in part or insufficient to hold Indemnitee harmless in respect of any Losses and Expenses incurred by Indemnitee, then for purposes of this Section 11, the Company shall be treated as if it were, or was threatened to be made, a party defendant to the subject Claim and the Company shall contribute to the amounts paid or payable by Indemnitee as a result of such Losses and Expenses incurred by Indemnitee in such proportion as is appropriate to reflect the relative benefits accruing to the Company on the one hand and Indemnitee on the other and the relative fault of the Company on the one hand and Indemnitee on the other in connection with such Claim, as well as any other relevant equitable considerations. For purposes of this Section 11 the relative benefit of the Company shall be deemed to be the benefits accruing to it and to all of its directors, officers, employees and agents (other than Indemnitee) on the one hand, as a group and treated as one entity, and the relative benefit of Indemnitee shall be deemed to be an amount not greater than the Indemnitee's yearly base salary or Indemnitee's compensation from the Company during the first year in which the Covered Event forming the basis for the subject Claim was alleged to have occurred. The

relative fault shall be determined by reference to, among other things, the fault of the Company and all of its directors, officers, employees and agents (other than Indemnitee) on the one hand, as a group and treated as one entity, and Indemnitee's and such group's relative intent, knowledge, access to information and opportunity to have altered or prevented the Covered Event forming the basis for the subject Claim.

Section 12. Miscellaneous Provisions.

12.1. Successors and Assigns, Etc.

12.1.1. This Agreement shall be binding upon and inure to the benefit of (a) the Company, its successors and assigns (including any direct or indirect successor by merger, consolidation or operation of law or by transfer of all or substantially all of its assets) and (b) Indemnitee and the heirs, personal and legal representatives, executors, administrators or assigns of Indemnitee.

12.1.2 The Company shall not consummate any consolidation, merger or other business combination, nor will it transfer 50% or more of its assets (in one or a series of related transactions), unless the ultimate Parent of the successor to the business or assets of the Company shall have first executed an agreement, in form and substance satisfactory to Indemnitee, to expressly assume all obligations of the Company under this Agreement and agree to perform this Agreement in accordance with its terms, in the same manner and to the same extent that the Company would be required to perform this Agreement if no such transaction had taken place; provided that, if the Parent is not the Company, the legality of payment of indemnity by the Parent shall be determined by reference to the fact that such indemnity is to be paid by the Parent rather than the Company.

12.2 Severability. The Provisions of this Agreement are severable. If

any provision of this Agreement shall be held by any court of competent jurisdiction to be invalid, void or unenforceable, such provision shall be deemed to be modified to the minimum extent necessary to avoid a violation of law and, as so modified, such provision and the remaining provisions shall remain valid and enforceable in accordance with their terms to the fullest extent permitted by law.

12.3 Rights Not Exclusive; Continuation of Right of Indemnification.

Nothing in this Agreement shall be deemed to diminish or otherwise restrict Indemnitee's right to indemnification pursuant to any provision of the Certificate of Incorporation or Bylaws of the Company, any agreement, vote of stockholders or Disinterested Directors, applicable law or otherwise. This Agreement shall be effective as of the date first above written and continue in effect until no Claims relating to any Covered Event may be asserted against Indemnitee and until any Claims commenced prior thereto are finally terminated and resolved, regardless of whether Indemnitee continues to serve as an officer of the Company, any Subsidiary or any Other Enterprise.

12.4 No Employment Agreement. Nothing contained in this Agreement shall

be construed as giving Indemnitee any right to be retained in the employ of the Company, any Subsidiary or any Other Enterprise.

12.5 Subsequent Amendment. No amendment, termination or repeal of any

provision of the Certificate of Incorporation or Bylaws of the Company, or any respective successors thereto, or of any relevant provision of any applicable law, shall affect or diminish in any way the rights of Indemnitee to indemnification, or the obligations of the Company, arising under this Agreement, whether the alleged actions or conduct of Indemnitee giving rise to the necessity of such indemnification arose before or after any such amendment,

termination or repeal.

12.6 Notices. Notices required under this Agreement shall be given in

writing and shall be deemed given when delivered in person or sent by certified
or

registered mail, return receipt requested, postage prepaid. Notices shall be
directed to the Company Three Limited Parkway, Columbus, OH 43230,
Attention: Chairman of the Board, and to Indemnitee at the residential address
as shown on the Company's records (or such other address as either party may
designate in writing to the other).

12.7 Governing Law. This Agreement shall be governed by and construed

and enforced in accordance with the laws of the State of Delaware applicable to
contracts made and performed in such state without giving effect to the
principles of conflict of laws.

12.8 Headings. The headings of the Sections of this Agreement are

inserted for convenience only and shall not be deemed to constitute part of this
Agreement or to affect the construction thereof.

12.9 Counterparts. This Agreement may be executed in any number of

counterparts of all which taken together shall constitute one instrument.

12.10 Modification and Waiver. No supplement, modification or amendment

of this Agreement shall be binding unless executed in writing by both of the
parties hereto. No waiver or any of the provisions of this Agreement shall
constitute, or be deemed to constitute, a waiver of any other provision hereof
(whether or not similar) nor shall any such waiver constitute a continuing
waiver.

The parties hereto have caused this Agreement to be duly executed as of the
day and year first above written.

THE LIMITED, INC.

INDEMNITEE

By /s/ Samuel P. Fried

/s/ Mark A. Giresi

Samuel P. Fried
Senior Vice President

Mark A. Giresi

EXHIBIT 11

THE LIMITED, INC. AND SUBSIDIARIES
COMPUTATION OF PER SHARE EARNINGS

(Thousands except per share amounts)

	Quarter Ended	
	February 2, 2002	February 3, 2001
Net income	\$326,529	\$238,151
Less: impact of IBI dilutive options and restricted stock on consolidated income*	(1,243)	(1,958)
Adjusted net income	\$325,286	\$236,193
Common shares outstanding:		
Weighted average basic shares	428,859	425,739
Dilutive effect of stock options and restricted stock	6,430	13,548
Weighted average used to calculate net income per diluted share	435,289	439,287
Net income per diluted share	\$0.75	\$0.54

	Year Ended	
	February 2, 2002	February 3, 2001
Net income	\$518,921	\$427,905
Less: impact of IBI dilutive options and restricted stock on consolidated income*	(1,451)	(4,371)
Adjusted net income	\$517,470	\$423,534
Common shares outstanding:		
Weighted average basic shares	427,844	427,604
Dilutive effect of stock options and restricted stock	7,057	15,444
Weighted average used to calculate net income per diluted share	434,901	443,048
Net income per diluted share	\$1.19	\$0.96

*Represents the impact of dilutive options and restricted stock at Intimate Brands as a reduction to income.

FINANCIAL SUMMARY

(Millions except per share amounts, ratios and store and associate data)

	@2001	*2000	@1999	@1998	1997	1996	@&*1995	1994	@1993	1992	@1991
Summary of Operations											
Net sales	\$ 9,363	\$ 10,105	\$ 9,766	\$ 9,365	\$ 9,200	\$ 8,652	\$ 7,893	\$ 7,321	\$ 7,245	\$ 6,944	\$ 6,149
Gross income	\$ 3,253	\$ 3,437	\$ 3,323	\$ 2,940	\$ 2,736	\$ 2,424	\$ 2,033	\$ 2,108	\$ 1,959	\$ 1,991	\$ 1,794
Operating income	+\$ 918	+\$ 866	+\$ 931	+\$ 2,424	+\$ 469	+\$ 636	+\$ 612	+\$ 796	+\$ 702	+\$ 789	+\$ 713
Operating income as a percentage of sales	+ 9.8%	+ 8.6%	+ 9.5%	+ 25.9%	+ 5.1%	+ 7.4%	+ 7.8%	10.9%	+ 9.7%	11.4%	11.6%
Net income	# \$ 519	# \$ 428	# \$ 461	# \$ 2,046	# \$ 212	# \$ 434	# \$ 961	# \$ 447	# \$ 391	# \$ 455	# \$ 403
Net income as a percentage of sales	# 5.5%	# 4.2%	# 4.7%	# 21.9%	# 2.3%	# 5.0%	# 12.2%	6.1%	# 5.4%	# 6.6%	6.6%
Per Share Results											
Basic net income	# \$ 1.21	# \$ 1.00	# \$ 1.05	# \$ 4.25	# \$ 0.39	# \$ 0.78	# \$ 1.35	# \$ 0.63	# \$ 0.55	# \$ 0.63	# \$ 0.56
Diluted net income	# \$ 1.19	# \$ 0.96	# \$ 1.00	# \$ 4.15	# \$ 0.39	# \$ 0.77	# \$ 1.34	# \$ 0.63	# \$ 0.54	# \$ 0.63	# \$ 0.56
Dividends	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.26	\$ 0.24	\$ 0.20	\$ 0.20	\$ 0.18	\$ 0.18	\$ 0.14	\$ 0.14
Book value	\$ 6.39	\$ 5.44	\$ 5.00	\$ 4.78	\$ 3.64	\$ 3.45	\$ 4.43	\$ 3.78	\$ 3.41	\$ 3.13	\$ 2.60
Weighted average diluted shares outstanding	435	443	456	493	549	564	717	717	726	727	727
Other Financial Information											
Total assets	\$ 4,719	\$ 4,088	\$ 4,126	\$ 4,550	\$ 4,301	\$ 4,120	\$ 5,267	\$ 4,570	\$ 4,135	\$ 3,846	\$ 3,419
Return on average assets	# 12%	# 10%	# 11%	# 46%	# 5%	# 9%	# 20%	10%	# 10%	# 13%	13%
Working capital	\$ 1,363	\$ 1,068	\$ 1,049	\$ 1,127	\$ 1,001	\$ 712	\$ 1,962	\$ 1,694	\$ 1,513	\$ 1,063	\$ 1,084
Current ratio	2.0	2.1	1.8	2.0	2.0	1.9	3.3	3.0	3.1	2.5	3.1
Capital expenditures	\$ 337	\$ 446	\$ 376	\$ 347	\$ 363	\$ 361	\$ 374	\$ 320	\$ 296	\$ 430	\$ 523
Long-term debt	\$ 250	\$ 400	\$ 400	\$ 550	\$ 650	\$ 650	\$ 650	\$ 650	\$ 650	\$ 542	\$ 714
Debt-to-equity ratio	9%	17%	19%	25%	33%	35%	21%	24%	27%	24%	38%
Shareholders' equity	\$ 2,744	\$ 2,316	\$ 2,147	\$ 2,167	\$ 1,986	\$ 1,869	\$ 3,148	\$ 2,705	\$ 2,441	\$ 2,268	\$ 1,877
Return on average shareholders' equity	# 21%	# 19%	# 21%	# 99%	# 11%	# 17%	# 33%	17%	# 17%	# 22%	23%
Comparable store sales increase (decrease)	(4%)	5%	9%	6%	0%	3%	(2%)	(3%)	(1%)	2%	3%
Stores and Associates at End of Year											
Total number of stores open	4,614	5,129	5,023	5,382	5,640	5,633	5,298	4,867	4,623	4,425	4,194
Selling square feet	20,146	23,224	23,592	26,316	28,400	28,405	27,403	25,627	24,426	22,863	20,355
Number of associates	100,300	123,700	114,600	126,800	131,000	123,100	106,900	105,600	97,500	100,700	83,800

* Fifty-three-week fiscal year.

@ Includes the results of the following companies disposed of up to their separation date: 1) Lane Bryant effective August 16, 2001; 2) Galyan's Trading Co. ("Galyan's") effective August 31, 1999; 3) Limited Too ("TOO") effective August 23, 1999; 4) Abercrombie & Fitch ("A&F") effective May 19, 1998; 5) Alliance Data Systems ("ADS") effective January 31, 1996; and 6) Brylane, Inc. effective August 31, 1993.

& Includes the results of Galyan's and Gryphon subsequent to their acquisitions on July 2, 1995 and June 1, 1991.

+ Operating income includes the net effect of special and nonrecurring items of \$170 million in 2001, (\$10) million in 2000, and \$24 million in 1999 (see Note 2 to the Consolidated Financial Statements), \$1.740 billion in 1998, (\$213) million in 1997, (\$12) million in 1996, \$1 million in 1995 and \$3 million in 1993. Inventory liquidation charges of (\$13) million related to Henri Bendel store closings are also included in 1997.

In addition to the items discussed in + above, net income includes the effect of the following gains: 1) \$62 million related to ADS and Galyan's in 2001; 2) \$11 million related to Galyan's in 1999; 3) \$9 million related to Brylane, Inc. in 1997; 4) \$118 million related to A&F in 1996; 5) \$649 million related to Intimate Brands, Inc. in 1995; and 6) \$9 million related to United Retail Group in 1992.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Results of Operations

Net sales for the thirteen-week fourth quarter of 2001 were \$3.138 billion, an 11% decrease from \$3.522 billion for the fourteen-week fourth quarter of 2000. Comparable store sales decreased 2% for the quarter. Gross income increased 4% to \$1.323 billion in the fourth quarter of 2001 from \$1.277 billion in 2000 and operating income increased 31% to \$624 million from \$478 million in 2000. Net income was \$327 million in the fourth quarter of 2001 versus \$238 million in 2000, and earnings per share were \$0.75 versus \$0.54 in 2000.

Net sales for the fifty-two-week year ended February 2, 2002 were \$9.363 billion, a 7% decrease from \$10.105 billion for the fifty-three-week year ended February 3, 2001. Gross income decreased 5% to \$3.253 billion in 2001 from \$3.437 billion in 2000 and operating income was \$918 million in 2001 versus \$866 million in 2000. Net income for 2001 was \$519 million, or \$1.19 per share, compared to \$428 million, or \$0.96 per share, last year.

There were a number of items in 2001 and 2000 that impact comparability of the Company's reported financial results. See the "Special and Nonrecurring Items" and "Other Data" sections for a discussion of these items.

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The following summarized financial data compares reported 2001 results to the comparable periods for 2000 and 1999:

(Millions)	2001	@2000	1999	% Change	
				2001-2000	2000-1999
Net Sales					
Express	\$ 1,542	\$ 1,594	\$ 1,367	(3%)	17%
Lerner New York	940	1,025	1,001	(8%)	2%
Limited Stores	618	673	704	(8%)	(4%)
Structure	502	569	607	(12%)	(6%)
Other (principally Mast)	209	158	108	32%	46%
Total apparel businesses	\$ 3,811	\$ 4,019	\$ 3,787	(5%)	6%
Victoria's Secret Stores	2,403	2,339	2,122	3%	10%
Bath & Body Works	1,747	1,785	1,530	(2%)	17%
Victoria's Secret Direct	869	962	956	(10%)	1%
Other	2	31	24	(94%)	29%
Total Intimate Brands	\$ 5,021	\$ 5,117	\$ 4,632	(2%)	10%
Henri Bendel	36	39	38	(8%)	3%
Lane Bryant (through August 16, 2001)	495	930	922	nm	1%
Galyan's (through August 31, 1999)	-	-	165	nm	nm
T00 (through August 23, 1999)	-	-	222	nm	nm
Total net sales	\$ 9,363	\$ 10,105	\$ 9,766	(7%)	3%
Operating Income					
Apparel businesses	\$ 64	\$ 116	\$ 79	(45%)	47%
Intimate Brands	667	754	794	(12%)	(5%)
Other	17	6	34	nm	nm
Subtotal	748	876	907	(15%)	(3%)
Special and nonrecurring items#	170	(10)	24	nm	nm
Total operating income	\$ 918	\$ 866	\$ 931	6%	(7%)

@ Fifty-three-week fiscal year.

Special and nonrecurring items -

2001: a \$170 million gain resulting from the sale of Lane Bryant, which relates to the "Other" category.

2000: a \$10 million charge for Intimate Brands to close Bath & Body Works' nine stores in the United Kingdom.

1999: 1) a \$13 million charge for transaction costs related to the T00 spin-off; and 2) the reversal of a \$37 million liability related to downsizing costs for Henri Bendel. These special items relate to the "Other" category.

nm not meaningful

2001 2000 1999

Comparable Store Sales			
Express	(2%)	15%	5%
Lerner New York	(5%)	4%	12%
Limited Stores	(2%)	5%	5%
Structure	(8%)	(4%)	4%

Total apparel businesses	(3%)	8%	7%

Victoria's Secret Stores	0%	5%	12%
Bath & Body Works	(11%)	1%	11%

Total Intimate Brands	(5%)	4%	12%

Henri Bendel	(6%)	(1%)	7%
Lane Bryant (through August 16, 2001)	3%	2%	5%
Galyan's (through August 31, 1999)	-	-	9%
TOO (through August 23, 1999)	-	-	9%

Total comparable store sales	(4%)	5%	9%
=====			

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	% Change				
	2001	2000	1999	2001-2000	2000-1999

Store Data					
Retail sales increase (decrease) due to net new (closed) and remodeled stores					
Apparel businesses	(2%)	(5%)	(4%)		
Intimate Brands	7%	7%	7%		

Retail sales per average selling square foot					
Apparel businesses	\$ 288	\$ 291	\$ 256	(1%)	14%
Intimate Brands	\$ 547	\$ 601	\$ 596	(9%)	1%

Retail sales per average store (thousands)					
Apparel businesses	\$ 1,765	\$ 1,792	\$ 1,582	(2%)	13%
Intimate Brands	\$ 1,658	\$ 1,833	\$ 1,826	(10%)	-

Average store size at end of year (selling square feet)					
Apparel businesses	6,107	6,130	6,182	-	(1%)
Intimate Brands	3,027	3,032	3,064	-	(1%)

Selling square feet at end of year (thousands)					
Apparel businesses	12,190	12,781	13,748	(5%)	(7%)
Intimate Brands	7,921	7,246	6,466	9%	12%
=====					

	Apparel and Other Businesses			Intimate Brands		
	2001	2000	1999	2001	2000	1999

Number of Stores

Beginning of year	2,739	2,913	3,492	2,390	2,110	1,890
Opened	24	25	54	251	305	241
Closed	(113)	(199)	(280)	(24)	(25)	(21)
Businesses disposed of						

Lane Bryant	(653)	-	-	-	-	-
Galyan's	-	-	(18)	-	-	-
TOO	-	-	(335)	-	-	-

End of year	1,997	2,739	2,913	2,617	2,390	2,110
=====						

Net Sales

Fourth Quarter

Net sales for the thirteen-week fourth quarter of 2001 decreased 11% to \$3.138 billion from \$3.522 billion for the fourteen-week fourth quarter of 2000. Excluding sales from Lane Bryant (which was sold on August 16, 2001) and the extra week in the fourth quarter of 2000, net sales increased 1% from the comparable thirteen-week period last year. The increase was due to the net addition of 138 new stores (84,000 selling square feet) in fiscal year 2001, partially offset by a comparable store sales decrease of 2%.

At Intimate Brands ("IBI"), net sales for the fourth quarter of 2001 were \$1.936 billion compared to \$1.938 billion in 2000. Excluding sales from the extra week in the fourth quarter of 2000, net sales increased 4% from last year. The increase was due to the net addition of 227 new stores (675,000 selling square feet) in fiscal year 2001, partially offset by a 5% decrease in sales at Victoria's Secret Direct. Victoria's Secret Stores' sales increased 9% to \$903 million in 2001 from \$829 million in 2000, primarily due to a 10% increase in comparable store sales. Bath & Body Works' sales decreased 6% to \$767 million in 2001 from \$820 million in 2000, primarily due to a 10% decrease in comparable store sales, partially offset by the net addition of 183 new stores (424,000 selling square feet) in fiscal year 2001.

At the apparel retail businesses, net sales for the fourth quarter of 2001 decreased 10% to \$1.138 billion from \$1.261 billion in 2000. Excluding sales from the extra week in the fourth quarter of 2000, net sales decreased 5% from last year. The decrease was due to a comparable store sales decrease of 3% and the net closure of 89 stores (591,000 selling square feet) in fiscal year 2001.

Net sales for the fourteen-week fourth quarter of 2000 increased 7% to \$3.522 billion from \$3.296 billion for the thirteen-week fourth quarter of 1999. The increase was due to the net addition of 106 new stores in fiscal year 2000, the inclusion of sales for the fourteenth week and a comparable store sales increase of 2%.

At IBI, net sales for the fourth quarter of 2000 increased 5% to \$1.938 billion from \$1.838 billion in 1999. The increase was due to the net addition of 280 new stores in fiscal year 2000 and the inclusion of sales for the fourteenth week. These factors were partially offset by a 3% decrease in comparable store sales and a 9% decrease in sales at Victoria's Secret Direct, both of which were the result of a difficult holiday season and a promotional retail environment.

At the apparel retail businesses, net sales for the fourth quarter of 2000 increased 10% to \$1.261 billion from \$1.150 billion in 1999. The increase was due to a 9% increase in comparable store sales and the inclusion of sales for the fourteenth week, partially offset by the net closure of 139 stores in fiscal year 2000.

Full Year

Net sales for the fifty-two-week fiscal year 2001 decreased 7% to \$9.363 billion from \$10.105 billion for the fifty-three-week fiscal year 2000. Excluding sales from Lane Bryant and the extra week in 2000, net sales decreased 2% from the comparable fifty-two-week period last year. The decrease was due to a 4% comparable store sales decrease, partially offset by the net addition of 138 new stores (84,000 selling square feet) in fiscal year 2001.

In 2001, IBI net sales decreased 2% to \$5.021 billion from \$5.117 billion in 2000. Excluding sales from the extra week in 2000, net sales were about flat to last year. A 5% decrease in comparable store sales and an 8% decrease in sales

at Victoria's Secret Direct (excluding the extra week in 2000) were offset by the net addition of 227 new stores (675,000 selling square feet). Bath & Body Works' sales decreased 2% to \$1.747 billion in 2001 from \$1.785 billion in 2000, primarily due to a comparable store sales decline of 11%, partially offset by the net addition of 183 new stores (424,000 selling square feet). Victoria's Secret Stores' sales increased 3% to \$2.403 billion in 2001 from \$2.339 billion in 2000, primarily due to the net addition of 44 new stores (251,000 selling square feet).

The apparel retail businesses reported a net sales decrease of 7% to \$3.602 billion from \$3.861 billion in 2000. Excluding sales from the extra week in 2000, net sales decreased 5% from last year. The sales decrease was primarily due to a 3% comparable store sales decrease, and the net closure of 89 stores (591,000 selling square feet).

Net sales for the fifty-three-week fiscal year 2000 were \$10.105 billion compared to \$9.766 billion for the fifty-two-week fiscal year 1999. The sales increase was due to a 5% comparable store sales increase, the net addition of 106 new stores and, to a small extent, the inclusion of sales for the fifty-third week. These gains were partially offset by the loss of sales from Galyan's, following the third party purchase of a 60% majority interest effective August 31, 1999, and from T00, after its August 23, 1999 spin-off.

In 2000, IBI sales increased 10% to \$5.117 billion from \$4.632 billion in 1999. The increase was primarily due to the net addition of 280 new stores and a 4% increase in comparable store sales. Bath & Body Works led IBI with sales increasing 17% to \$1.785 billion from \$1.530 billion in 1999, primarily due to the net addition of 218 new stores (549,000 selling square feet). Victoria's Secret Stores' sales increased 10% to \$2.339 billion from \$2.122 billion in 1999. The sales increase was primarily due to a 5% increase in comparable store sales and the net addition of 62 new stores (231,000 selling square feet). Sales at Victoria's Secret Direct increased 1% to \$962 million from \$956 million in 1999.

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In 2000, the apparel retail businesses reported a sales increase of 5% to \$3.861 billion from \$3.679 billion in 1999. The sales increase was primarily due to an 8% comparable store sales increase, partially offset by the net closure of 139 stores (1.0 million selling square feet).

Gross Income

Fourth Quarter

For the fourth quarter of 2001, the gross income rate (expressed as a percentage of sales) increased to 42.2% from 36.3% for the same period in 2000. The rate increase was primarily due to a significant increase in the merchandise margin rate at both IBI and the apparel businesses due to favorable product assortment and tighter inventory management. This resulted in lower markdowns in 2001 compared to the difficult fourth quarter in 2000. The buying and occupancy expense rate was about flat for the quarter.

For the fourth quarter of 2000, the gross income rate decreased to 36.3% from 39.2% for the same period in 1999. The rate decrease was primarily due to a decrease in the merchandise margin rate as a result of higher markdowns to clear slower selling inventory assortments during and after a highly promotional holiday season. Additionally, a slight increase in the buying and occupancy expense rate resulted from an increase at IBI that was partially offset by the positive impact of closing underperforming stores at the apparel businesses.

Full Year

In 2001, the gross income rate increased to 34.7% from 34.0% in 2000, as an increase in the merchandise margin rate was partially offset by an increase in the buying and occupancy expense rate. The increase in the merchandise margin

rate was primarily due to lower markdowns, principally in the fourth quarter. The increase in the buying and occupancy expense rate was primarily the result of the inability to achieve leverage as comparable store sales decreased 4%.

In 2000, the gross income rate was 34.0%, unchanged from 1999, as a decrease in the merchandise margin rate was offset by an improvement in the buying and occupancy expense rate. The decrease in the merchandise margin rate was primarily due to higher markdowns, principally in the fourth quarter. The overall buying and occupancy expense rate improvement was a result of the benefit from store closings at the apparel businesses, which more than offset a slight increase in the buying and occupancy expense rate at IBI.

General, Administrative and Store Operating Expenses

Fourth Quarter

For the fourth quarter of 2001, the general, administrative and store operating expense rate (expressed as a percentage of sales) was 22.3% compared to 22.5% in 2000. The slight rate improvement was primarily due to a reduction in selling expenses per average store, which offset the lack of leverage resulting from a 2% decrease in comparable store sales. Additionally, lower fulfillment costs at Victoria's Secret Direct contributed to the improvement.

For the fourth quarter of 2000, the general, administrative and store operating expense rate increased to 22.5% from 21.5% in 1999. The increase was primarily due to a rate increase at IBI from increased investments in store selling at Bath & Body Works and Victoria's Secret Stores in anticipation of the normal holiday sales peak. These investments were not fully leveraged due to a 3% decrease in comparable store sales. The IBI rate increase was offset by sales leverage at the apparel businesses from a 7% comparable store sales increase.

Full Year

In 2001, the general, administrative and store operating expense rate increased to 26.8% from 25.3% in 2000. The increase was due to the inability to achieve leverage on store selling expenses due to the 4% comparable store sales decrease, as well as higher store selling expenses, primarily at Bath & Body Works.

In 2000, the general, administrative and store operating expense rate increased to 25.3% from 24.7% in 1999. The increase was primarily due to increased investments in store selling at Bath & Body Works and Victoria's Secret Stores. These investments were not fully leveraged in large part due to the difficult fourth quarter that resulted in a full year comparable store sales increase of only 4%. Additionally, Bath & Body Works expanded into profitable non-mall locations, which typically have higher payroll costs as a percentage of sales.

Special and Nonrecurring Items

During the third quarter of 2001, the Company sold one of its apparel businesses, Lane Bryant, to Charming Shoppes, Inc. for \$280 million of cash and 8.7 million shares of Charming Shoppes, Inc. common stock valued at \$55 million. On December 12, 2001, the Company received an additional 0.8 million shares of Charming Shoppes, Inc. common stock valued at \$4 million based on a final determination of Lane Bryant's net tangible assets at closing. The transaction resulted in a pretax gain of \$170 million (net of \$24 million of transaction costs) and a \$68 million tax provision.

During the fourth quarter of 2000, the Company recorded a \$10 million special and nonrecurring charge to close Bath & Body Works' nine stores in the United Kingdom. The charge consisted of non-cash store and other asset write-offs of \$5 million and accruals for lease termination and other costs of \$5 million, which were paid during fiscal 2001.

In 1999, the Company recognized a \$13 million charge for transaction costs related to the TOO spin-off and a reversal of a \$37 million liability related to downsizing costs for Henri Bendel, initially recognized as a special and nonrecurring charge to operating income in 1997. The execution of the plan to

downsize the remaining Henri Bendel store in New York was primarily based on negotiations with the original landlord. However, a change in landlords ultimately resulted in the termination of negotiations during the fourth quarter of 1999, which prevented the completion of the original plan. As a result, the Company reversed the \$37 million liability through the special and nonrecurring items classification.

Operating Income

Fourth Quarter

The operating income rate in the fourth quarter of 2001 (expressed as a percentage of sales) increased to 19.9% from 13.6% in 2000. The rate increase was primarily due to a 5.9% increase in the gross income rate.

The operating income rate in the fourth quarter of 2000 decreased to 13.6% from 18.8% in 1999. Excluding special and nonrecurring items in 2000 and 1999, the fourth quarter operating income rate decreased to 13.8% in 2000 from 17.7% in 1999. The rate decrease was due to a 2.9% decline in the gross income rate and a 1.0% increase in the general, administrative and store operating expense rate.

Full Year

In 2001, the operating income rate was 9.8% versus 8.6% in 2000. Excluding special and nonrecurring items in both years, the operating income rate was 8.0% in 2001 versus 8.7% in 2000. The rate decrease was driven by a 1.4% increase in the general, administrative and store operating expense rate, partially offset by a 0.7% increase in the gross income rate.

In 2000, the operating income rate was 8.6% versus 9.5% in 1999. Excluding special and nonrecurring items in both years, the operating income rate was 8.7% in 2000 versus 9.3% in 1999. The rate decrease was driven by a 0.6% increase in the general, administrative and store operating expense rate.

Interest Expense

In 2001, the Company incurred \$9 million and \$34 million in interest expense for the fourth quarter and year, compared to \$17 million and \$58 million in 2000 for the same periods. These decreases were primarily the result of decreased borrowing levels during 2001.

	Fourth Quarter		Year		
	2001	2000	2001	2000	1999
Average daily borrowings (millions)	\$ 400	\$ 778	\$ 400	\$ 717	\$ 970
Average effective interest rate	7.6%	7.6%	7.6%	7.9%	8.1%

Other Income, Net

For the fourth quarter of 2001, other income (expense), net, was \$7 million versus (\$5) million in 2000. For fiscal year 2001, other income was \$22 million compared to \$20 million in 2000. These increases are primarily due to increases in the equity in income of investees in 2001, which more than offset decreases in interest income resulting from significantly lower average effective interest rates.

Gains on Sale of Stock by Investees

In accordance with SEC Staff Accounting Bulletin No. 51, "Accounting for Sales of Stock of a Subsidiary," the Company records a non-operating gain when its proportionate share of an investee's equity increases as a result of the investee's initial public stock offering ("IPO").

During the second quarter of 2001, the Company recognized \$62 million of pretax gains from the IPO's of Alliance Data Systems Corp. ("ADS") and Galyan's. ADS is a provider of electronic transaction services, credit services and loyalty and database marketing services. Galyan's is a specialty retailer that sells outdoor and athletic equipment, apparel, footwear and accessories. Prior to the IPO's, the Company's ownership interest in ADS and Galyan's was approximately 31% and 37%, respectively. As of February 2, 2002, the Company owns approximately 14.7 million shares of ADS common stock, representing a 20% ownership interest, and 4.2 million shares of Galyan's common stock, representing a 24% ownership interest. Deferred taxes were provided on the gains using the Company's effective tax rate.

Effective August 31, 1999, a third party purchased a 60% majority interest in Galyan's. As a result, the Company recorded a pretax gain of \$11 million, offset by a \$6 million provision for taxes. In addition, the revised tax basis of the Company's remaining investment in Galyan's resulted in an additional \$7 million of deferred tax expense.

Other Data

The following adjusted income information gives effect to the significant transactions and events in 2001, 2000 and 1999 that impacted the comparability of the Company's results. These items are more fully described in the "Special and Nonrecurring Items" and "Gains on Sale of Stock by Investees" sections in Management's Discussion and Analysis and in Notes 1 and 2 to the Consolidated Financial Statements.

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Management believes this presentation provides a reasonable basis on which to present the adjusted income information. Although the adjusted income information should not be construed as an alternative to the reported results determined in accordance with generally accepted accounting principles, it is provided to assist in investors' understanding of the Company's results of operations.

Adjusted Income Information (Millions except per share amounts)

	2001			2000			1999		
	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted
Net sales	\$ 9,363	\$ (495)	\$ 8,868	\$ 10,105	\$ (930)	\$ 9,175	\$ 9,766	\$ (1,144)	\$ 8,622
Gross income	3,253	(155)	3,098	3,437	(248)	3,189	3,323	(341)	2,982
General, administrative and store operating expenses	(2,505)	117	(2,388)	(2,561)	218	(2,343)	(2,416)	257	(2,159)
Special and nonrecurring items, net	170	(170)	-	(10)	10	-	24	(24)	-
Operating income	918	(208)	710	866	(20)	846	931	(108)	823
Interest expense	(34)	-	(34)	(58)	-	(58)	(78)	-	(78)
Other income, net	22	-	22	20	-	20	41	-	41
Minority interest	(64)	-	(64)	(69)	(1)	(70)	(73)	-	(73)
Gains on sale of stock by investees	62	(62)	-	-	-	-	11	(11)	-
Income before income taxes	904	(270)	634	759	(21)	738	832	(119)	713
Income tax expense	385	(108)	277	331	(8)	323	371	(57)	314
Net income	\$ 519	\$ (162)	\$ 357	\$ 428	\$ (13)	\$ 415	\$ 461	\$ (62)	\$ 399
Net income per share	\$ 1.19		\$ 0.82	\$ 0.96		\$ 0.93	\$ 1.00		\$ 0.86
Weighted average diluted shares outstanding	435		435	443		443	456		456

Notes to Adjusted Income Information

A) Excluded businesses

- . Lane Bryant results were excluded in determining adjusted results for 2001, 2000 and 1999 as a result of its sale to Charming Shoppes, Inc. on August 16, 2001.
- . TOO results were excluded in determining adjusted results for 1999 as a result of its spin-off on August 23, 1999.

B) Special items

The following special items were excluded in determining adjusted results:

- . In 2001, a \$170 million gain related to the sale of Lane Bryant and \$62 million in gains as a result of the IPO's of ADS and Galyan's.
- . In 2000, a \$10 million charge to close Bath & Body Works' nine stores in the United Kingdom.
- . In 1999, a \$37 million reversal of a liability related to downsizing costs for Henri Bendel, an \$11 million gain from the purchase by a third party of a 60% majority interest in Galyan's and a \$13 million charge for transaction costs related to the TOO spin-off.

C) Provision for income taxes

The tax effect of the adjustments for excluded businesses and special items was calculated using the Company's overall effective rate of 39.75% in 2001 and 40% in 2000 and 1999. Additionally, in 1999, the Company's \$11 million pretax gain from the Galyan's transaction described above resulted in a \$6 million provision for taxes, and the revised tax basis of the Company's remaining investment in Galyan's resulted in an additional \$7 million of deferred tax expense.

FINANCIAL CONDITION

Liquidity and Capital Resources

Cash provided by operating activities and funds available from commercial paper backed by bank credit agreements provide the resources to support current operations, projected growth, seasonal funding requirements and capital expenditures. Changes in consumer spending patterns, consumer preferences and overall economic conditions could impact the availability of future operating cash flows.

A summary of the Company's working capital position and capitalization follows:

(Millions)	2001	2000	1999
Cash provided by operating activities	\$ 969	\$ 769	\$ 599
Working capital	\$ 1,363	\$ 1,068	\$ 1,049
Capitalization			
Long-term debt	\$ 250	\$ 400	\$ 400
Shareholders' equity	2,744	2,316	2,147
Total capitalization	\$ 2,994	\$ 2,716	\$ 2,547
Additional amounts available under long-term credit agreements	\$ 1,250	\$ 1,000	\$ 1,000

The Company considers the following to be relevant measures of liquidity and capital resources:

	2001	2000	1999
Debt-to-equity ratio			

(Long-term debt divided by shareholders' equity)	9%	17%	19%
Debt-to-capitalization ratio			
(Long-term debt divided by total capitalization)	8%	15%	16%
Interest coverage ratio			
(Income, excluding special and nonrecurring items and gains on sale of stock by investees, before interest expense, income taxes, depreciation and amortization divided by interest expense)	29x	19x	15x
Cash flow to capital investment			
(Net cash provided by operating activities divided by capital expenditures)	288%	172%	159%
=====			

The Company's operations are seasonal in nature and consist of two principal selling seasons: spring (the first and second quarters) and fall (the third and fourth quarters). The fourth quarter, including the holiday season has accounted for approximately one-third of net sales in 2001, 2000 and 1999. Accordingly, cash requirements are highest in the third quarter as the Company's inventory builds in anticipation of the holiday season, which generates a substantial portion of the Company's operating cash flow for the year.

Operating Activities

Net cash provided by operating activities, the Company's primary source of liquidity, was \$969 million in 2001, \$769 million in 2000 and \$599 million in 1999.

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The increase in cash provided by operating activities between 2001 and 2000 was primarily driven by a decrease in inventories and an increase in income taxes payable. The inventory decline was the result of conservative inventory management in anticipation of a difficult retail environment in 2001. The increase in income taxes payable was primarily due to an increase in pretax income, timing of payments and the taxes due on the gain from the sale of Lane Bryant.

The increase in cash provided by operating activities between 2000 and 1999 was primarily due to changes in inventories, accounts payable, accrued expenses and income taxes. The cash used for inventories was higher in 2000 than 1999 because of relatively higher inventories at the apparel businesses at February 3, 2001. The net increase in accounts payable and accrued expenses versus 1999 related to higher inventories and timing of payments. The reduction in the change in income tax accruals primarily related to a 1999 payment of \$112 million for taxes and interest related to an Internal Revenue Service assessment for previous year's taxes (see Note 7 to the Consolidated Financial Statements).

Investing Activities

In 2001, investing activities included cash proceeds of \$280 million from the sale of Lane Bryant, \$337 million in capital expenditures (see "Capital Expenditures" section), and \$11 million in net expenditures associated with Easton (see "Easton Investment" section).

In 2000, investing activities included \$446 million in capital expenditures and \$22 million in net expenditures associated with Easton.

In 1999, investing activities included the following: 1) \$352 million decrease in restricted cash related to the rescission of the Contingent Stock Redemption Agreement; 2) \$182 million in proceeds from the third party purchase of a 60%

majority interest in Galyan's and the sale of related property; 3) \$376 million in capital expenditures; and 4) \$11 million in net proceeds associated with Easton.

Financing Activities

Financing activities in 2001 consisted of the quarterly dividend payments of \$0.075 per share or \$129 million for the year. In addition, IBI repurchased 1 million shares of common stock from its public shareholders for \$8 million. These cash outflows were partially offset by proceeds from the exercise of stock options.

Financing activities in 2000 included repayment of \$150 million of term debt, redemption of the \$100 million Series C floating rate notes and quarterly dividend payments of \$0.075 per share or \$128 million for the year. In addition, the Company repurchased 9 million shares of its common stock for \$200 million. Finally, in 2000, IBI repurchased 9 million shares of its common stock for \$198 million, of which 7 million shares were repurchased on a proportionate basis from The Limited for \$167 million. The repurchase did not change The Limited's 84% ownership interest in IBI.

Noncash financing activities in 2000 included a two-for-one stock split in the form of a stock dividend distributed on May 30, 2000 to shareholders of record on May 12, 2000. Shareholders' equity reflects the reclassification of an amount equal to the par value of the increase in issued common shares (\$108 million) from paid-in capital to common stock. Also, in connection with the stock split, the Company retired 327 million treasury shares, representing \$4.3 billion at cost. A noncash charge was made to retained earnings for the excess cost of treasury stock over its par value.

Financing activities in 1999 included proceeds of \$300 million from floating rate notes, \$200 million of which was repaid during the year, repayment of \$100 million of term debt and quarterly dividend payments of \$0.075 per share or \$130 million for the year. The cash from the rescission of the Contingent Stock Redemption Agreement and other available funds were used to repurchase shares under a self-tender, which was funded June 14, 1999. A total of 30 million shares of the Company's common stock were repurchased at \$25 per share, resulting in a cash outflow of \$750 million plus transaction costs. Additionally, IBI completed a \$500 million stock repurchase program that began in 1998 through the repurchase of 20 million shares of its common stock for \$404 million, of which 17 million shares were repurchased on a proportionate basis from The Limited for \$341 million. Financing activities also included a \$50 million dividend and a \$12 million repayment of advances to T00 in connection with its spin-off.

The Company has available \$1.25 billion under its unsecured revolving credit facility (the "Facility"), none of which was used during fiscal year 2001. The Facility is comprised of a \$500 million 364-day agreement and a \$750 million 5-year agreement. Borrowings under the agreement, if any, are due July 13, 2002 and July 13, 2006, respectively. The Company also has the ability to offer up to \$250 million of additional debt securities under its shelf registration statement.

The Company has \$150 million, 7 4/5% notes due in May 2002, classified as current portion of long-term debt (see Note 8 to the Consolidated Financial Statements).

STORES AND SELLING SQUARE FEET

A summary of stores and selling square feet by business follows:

	End of Year			Change From	
	Plan 2002	2001	2000	2002-2001	2001-2000
Express Stores	682	667	667	15	-

Selling square feet	4,400,000	4,280,000	4,288,000	120,000	(8,000)
Lerner New York					
Stores	504	522	560	(18)	(38)
Selling square feet	3,751,000	3,823,000	4,163,000	(72,000)	(340,000)
Limited Stores					
Stores	354	368	389	(14)	(21)
Selling square feet	2,244,000	2,313,000	2,445,000	(69,000)	(132,000)
Structure					
Stores	409	439	469	(30)	(30)
Selling square feet	1,673,000	1,774,000	1,885,000	(101,000)	(111,000)

Total apparel businesses					
Stores	1,949	1,996	2,085	(47)	(89)
Selling square feet	12,068,000	12,190,000	12,781,000	(122,000)	(591,000)

Victoria's Secret Stores					
Stores	1,017	1,002	958	15	44
Selling square feet	4,682,000	4,458,000	4,207,000	224,000	251,000
Bath & Body Works					
Stores	1,690	1,615	1,432	75	183
Selling square feet	3,710,000	3,463,000	3,039,000	247,000	424,000

Total Intimate Brands					
Stores	2,707	2,617	2,390	90	227
Selling square feet	8,392,000	7,921,000	7,246,000	471,000	675,000

Henri Bendel					
Stores	1	1	1	-	-
Selling square feet	35,000	35,000	35,000	-	-
Lane Bryant					
Stores	-	-	653	-	(653)
Selling square feet	-	-	3,162,000	-	(3,162,000)

Total retail businesses					
Stores	4,657	4,614	5,129	43	(515)
Selling square feet	20,495,000	20,146,000	23,224,000	349,000	(3,078,000)

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Capital Expenditures

Capital expenditures amounted to \$337 million, \$446 million and \$376 million for 2001, 2000 and 1999, of which \$230 million, \$324 million and \$277 million were for new stores and for the remodeling of and improvements to existing stores. Remaining capital expenditures were primarily related to information technology, distribution centers and investments in intellectual property assets.

The Company anticipates spending approximately \$430 million for capital expenditures in 2002, of which approximately \$300 million will be for new stores and for the remodeling of and improvements to existing stores. Remaining capital expenditures are primarily related to information technology and distribution centers. The Company expects that 2002 capital expenditures will be funded principally by net cash provided by operating activities.

The Company expects to increase selling square footage by approximately 350,000 square feet in 2002. It is anticipated that the increase will result from the addition of approximately 140 stores (primarily within IBI), offset by the closing of approximately 100 stores (primarily within the apparel businesses).

Easton Investment

The Company has land, infrastructure and other financial investments in Easton, a 1,200-acre planned community in Columbus, Ohio, that integrates office, hotel, retail, residential and recreational space. These investments totaled \$85 million at February 2, 2002 and \$74 million at February 3, 2001 and are included in other assets (see Note 4 to the Consolidated Financial Statements).

Cash flow activity relating to the Company's Easton investments was as follows:

(Millions)	2001	2000	1999
Property sales and other cash proceeds	\$ 7	\$ 8	\$ 32

Cash expenditures (2000 amount includes a loan of \$18 million to Easton Town Center, LLC)	(18)	(30)	(21)

Net cash flow source (use)	\$ (11)	\$ (22)	\$ 11
=====			

Included in the Company's Easton investments is a non-controlling interest in Easton Town Center, LLC ("ETC"), which owns and is developing the Easton Town Center, a commercial entertainment and shopping center. ETC's principal funding source is a \$189 million secured bank loan, \$183 million of which was outstanding at February 2, 2002. The loan is payable in full on December 6, 2003, with the option of two twelve-month extensions if certain requirements are met. The Company and one of the ETC members have guaranteed the first \$75 million of this loan. If ETC does not meet the debt service coverage ratio required by the loan agreement, the members have the option to make additional cash contributions to ETC. Otherwise, the bank may call the loan under the agreement's default provisions. The Company does not anticipate that it will be required to advance funds to ETC in order for ETC to meet its debt service costs on this loan.

The Company and one of the ETC members have also indemnified the bank against any environmental matters related to the Easton Town Center. The Company is not currently aware of any such environmental matters.

The Company has issued a \$30 million standby letter of credit, on which the City of Columbus, Ohio can draw solely to pay principal and interest on public bonds issued by the City for infrastructure development at Easton. The bonds mature on December 1, 2024. Under the terms of the letter of credit, the City can draw funds if Easton property tax revenues are insufficient to cover the debt service requirements of the bonds. The Company does not currently anticipate that the City will be required to draw funds under the letter of credit.

Contractual Obligations and Contingent Liabilities

The Company's significant contractual obligations and contingent liabilities include its long-term debt obligations, operating lease commitments related principally to its stores, guarantees of store lease obligations of former subsidiaries and certain Easton-related contingent liabilities.

As detailed in Note 8 to the Consolidated Financial Statements, the Company's long-term debt totals \$400 million, \$150 million of which is due in May, 2002. Minimum rent commitments under noncancelable leases total \$3.254 billion (excluding additional payments required under store leases covering taxes, common area costs and certain other expenses) and are detailed by year in Note 5 to the Consolidated Financial Statements.

The Company has guaranteed \$333 million of minimum rent payments of A&F, TOO, Galyan's and Lane Bryant under noncancelable leases expiring at various dates through 2014. These guarantees relate only to leases that commenced prior to the disposition of these subsidiaries. The Company does not intend and is not required to renew its guarantees at the expiration of these leases. Contingent liabilities also include the \$75 million guarantee and the \$30 million standby letter of credit related to Easton as previously discussed. These contingent liabilities are further detailed in Note 5 to the Consolidated Financial Statements.

Recently Issued Accounting Pronouncements

On June 29, 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations," and No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, and also addresses the accounting for goodwill and other intangible assets. SFAS No. 142 addresses the accounting for goodwill and other intangible assets subsequent to their acquisition, and will be effective in the first quarter of 2002. The Company has determined that adopting the provisions

of SFAS No. 142 will not have a material impact on its results of operations or its financial position.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement establishes a single accounting model for long-lived assets to be disposed of by sale and resolves significant implementation issues related to SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" and is effective for fiscal years beginning after December 15, 2001. The Company is currently evaluating the impact of adopting SFAS No. 144, but does not expect it to have a material impact on its results of operations or its financial position.

Market Risk

Management believes the Company's exposure to interest rate and market risk associated with financial instruments (such as investments and borrowings) is not material.

Impact of Inflation

The Company's results of operations and financial condition are presented based on historical cost. While it is difficult to accurately measure the impact of inflation due to the imprecise nature of the estimates required, the Company believes the effects of inflation, if any, on the results of operations and financial condition have been minor.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to 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. On an on-going basis, management evaluates its estimates and judgments, including those related to inventories, long-lived assets, and claims and contingencies. Management bases its estimates and judgments on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Management believes the following accounting principles are the most critical because they involve the most significant judgments, assumptions and estimates used in preparation of the Company's financial statements.

- . Inventories - Inventories are valued at the lower of average cost or market, on a first-in, first-out basis, using the retail method. The Company records a charge to cost of goods sold for all inventory on hand when a permanent retail price reduction is reflected in its stores. In addition, management makes estimates and judgments regarding, among other things, initial markup, markdowns, future demand and market conditions, all of which significantly impact inventory valuation. If actual future demand or market conditions are different than those projected by management, additional inventory write-downs may be required. Other significant estimates by management include shrinkage, obsolete and excess inventory. These estimates are based on historical experience and other factors.
- . Long-Lived Assets - Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Factors used in the valuation include, but are not limited to, management's plans for future operations, brand initiatives, recent operating results and projected cash flows. If future economic conditions are different than those projected by management, additional impairment charges may be required.
- . Claims and Contingencies - The Company is subject to various claims and contingencies related to lawsuits, income taxes, insurance and other matters arising out of the normal course of business. The Company's

financial statement treatment of claims and contingencies is based on management's view of the expected outcome of the applicable claim or contingency. The Company consults with legal counsel on matters related to litigation and seeks input from other experts both within and outside the Company with respect to matters in the ordinary course of business. The Company accrues a liability if the likelihood of an adverse outcome is probable and the amount is estimable.

While the Company's recognition of revenue does not involve significant judgment, revenue recognition represents an important accounting policy of the Company. As discussed in Note 1 to the Consolidated Financial Statements, the Company recognizes revenue upon customer receipt of the merchandise and provides a reserve for projected merchandise returns based on historical experience.

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Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995
The Company cautions that any forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) contained in this Report or made by management of the Company involve risks and uncertainties and are subject to change based on various important factors, many of which may be beyond the Company's control. Accordingly, the Company's future performance and financial results may differ materially from those expressed or implied in any such forward-looking statements. Words such as "estimate," "project," "plan," "believe," "expect," "anticipate," "intend" and similar expressions may identify forward-looking statements. The following factors, among others, in some cases have affected and in the future could affect the Company's financial performance and actual results and could cause actual results for 2002 and beyond to differ materially from those expressed or implied in any forward-looking statements included in this Report or otherwise made by management: changes in consumer spending patterns, consumer preferences and overall economic conditions; the potential impact of national and international security concerns on the retail environment; the impact of competition and pricing; changes in weather patterns; political stability; postal rate increases and charges; paper and printing costs; risks associated with the seasonality of the retail industry; risks related to consumer acceptance of the Company's products and the ability to develop new merchandise; the ability to retain, hire and train key personnel; risks associated with the possible inability of the Company's manufacturers to deliver products in a timely manner; risks associated with relying on foreign sources of production and availability of suitable store locations on appropriate terms. Investors should read the Company's filings with the Securities and Exchange Commission for a more detailed discussion of these and other factors. The Company does not undertake to publicly update or revise its forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied therein will not be realized.

CONSOLIDATED STATEMENTS OF INCOME
(Millions except per share amounts)

	2001	2000	1999
Net sales	\$ 9,363	\$10,105	\$ 9,766
Costs of goods sold, buying and occupancy	(6,110)	(6,668)	(6,443)

Gross income	3,253	3,437	3,323
General, administrative and store operating expenses	(2,505)	(2,561)	(2,416)
Special and nonrecurring items, net	170	(10)	24

Operating income	918	866	931
Interest expense	(34)	(58)	(78)
Other income, net	22	20	41
Minority interest	(64)	(69)	(73)
Gains on sale of stock by investees	62	-	11

Income before income taxes	904	759	832

Income tax expense		385	331	371
Net income		\$ 519	\$ 428	\$ 461
Net income per share:				
Basic		\$ 1.21	\$ 1.00	\$ 1.05
Diluted		\$ 1.19	\$ 0.96	\$ 1.00

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

CONSOLIDATED BALANCE SHEETS
(Millions except for per share amounts)

	February 2, 2002	February 3, 2001
Assets		
Current assets		
Cash and equivalents	\$ 1,375	\$ 564
Accounts receivable	79	94
Inventories	966	1,157
Other	262	253
Total current assets	2,682	2,068
Property and equipment, net	1,359	1,395
Deferred income taxes	67	132
Other assets	611	493
Total assets	\$ 4,719	\$ 4,088
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	\$ 245	\$ 273
Current portion of long-term debt	150	-
Accrued expenses and other	648	581
Income taxes	276	146
Total current liabilities	1,319	1,000
Long-term debt	250	400
Other long-term liabilities	229	229
Minority interest	177	143
Shareholders' equity		
Preferred stock - \$1.00 par value; 10 shares authorized; none issued	-	-
Common stock - \$0.50 par value; 1,000 shares authorized; 432 shares issued in 2001 and 2000	216	216
Paid-in capital	53	83
Retained earnings	2,552	2,168
Less: treasury stock, at average cost; 3 shares in 2001 and 6 shares in 2000	(77)	(151)
Total shareholders' equity	2,744	2,316
Total liabilities and shareholders' equity	\$ 4,719	\$ 4,088

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

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CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Millions)

	Common Stock Shares Outstanding	Par Value	Paid-In Capital	Retained Earnings	Treasury Stock, at Average Cost	Total Shareholders' Equity
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Balance, January 30, 1999	453	\$ 180	\$ 157	\$ 5,471	\$ (3,641)	\$ 2,167
Net income	-	-	-	461	-	461
Cash dividends	-	-	-	(130)	-	(130)
Repurchase of common stock, including transaction costs	(30)	-	-	-	(753)	(753)
Spin-off of Limited Too	-	-	-	(25)	-	(25)
Rescission of contingent stock redemption agreement	-	10	8	334	-	352
Exercise of stock options and other	7	-	13	(2)	64	75
Balance, January 29, 2000	430	\$ 190	\$ 178	\$ 6,109	\$ (4,330)	\$ 2,147
Net income	-	-	-	428	-	428
Cash dividends	-	-	-	(128)	-	(128)
Repurchase of common stock, including transaction costs	(9)	-	-	-	(200)	(200)
Retirement of treasury stock	-	(82)	-	(4,241)	4,323	-
Two-for-one stock split	-	108	(108)	-	-	-
Exercise of stock options and other	5	-	13	-	56	69
Balance, February 3, 2001	426	\$ 216	\$ 83	\$ 2,168	\$ (151)	\$ 2,316
Net income	-	-	-	519	-	519
Cash dividends	-	-	-	(129)	-	(129)
Exercise of stock options and other	3	-	(30)	(6)	74	38
Balance, February 2, 2002	429	\$ 216	\$ 53	\$ 2,552	\$ (77)	\$ 2,744

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Millions)

	2001	2000	1999
Operating Activities			
Net income	\$ 519	\$ 428	\$ 461
Adjustments to reconcile net income to net cash provided by (used for) operating activities:			
Depreciation and amortization	277	271	272
Deferred income taxes	76	46	(78)
Special and nonrecurring items, net	(170)	10	(24)
Minority interest, net of dividends paid	43	47	51
Gains on sale of stock by investees	(62)	-	(11)
Changes in assets and liabilities:			
Accounts receivable	15	15	(37)
Inventories	82	(106)	(54)
Accounts payable, accrued expenses and other	75	53	(20)
Income taxes payable	118	(60)	18
Other assets and liabilities	(4)	65	21
Net cash provided by operating activities	969	769	599
Investing Activities			
Proceeds from sale of subsidiary	280	-	-
Capital expenditures	(337)	(446)	(376)
Net proceeds (expenditures) related to Easton investment	(11)	(22)	11
Net proceeds from sale of partial interest in subsidiary	-	-	182
Decrease in restricted cash	-	-	352
Net cash provided by (used for) investing activities	(68)	(468)	169
Financing Activities			
Repayment of long-term debt	-	(250)	(300)
Proceeds from issuance of long-term debt	-	-	300
Repurchase of common stock, including transaction costs	-	(200)	(753)
Repurchase of Intimate Brands, Inc. common stock	(8)	(31)	(63)
Dividends paid	(129)	(128)	(130)
Dividend received from Limited Too	-	-	50
Settlement of Limited Too intercompany account	-	-	12
Proceeds from exercise of stock options and other	47	55	63
Net cash used for financing activities	(90)	(554)	(821)
Net increase (decrease) in cash and equivalents	811	(253)	(53)
Cash and equivalents, beginning of year	564	817	870
Cash and equivalents, end of year	\$ 1,375	\$ 564	\$ 817

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Principles of Consolidation

The Limited, Inc. (the "Company" or "The Limited") sells women's and men's apparel, women's intimate apparel and personal care products under various trade names through its specialty retail stores and direct response (catalog and e-commerce) businesses.

The consolidated financial statements include the accounts of the Company and its subsidiaries, including Intimate Brands, Inc. ("IBI"), an 84%-owned subsidiary. All significant intercompany balances and transactions have been eliminated in consolidation. The consolidated financial statements include the results of Galyan's Trading Co. ("Galyan's") through August 31, 1999, when a third party purchased a majority interest; Limited Too ("TOO") through August 23, 1999, when it was established as an independent company; and Lane Bryant through August 16, 2001, when it was sold to a third party.

Investments in unconsolidated affiliates over which the Company exercises significant influence but does not have control, are accounted for using the equity method. The Company's share of the net income or loss of those unconsolidated affiliates is included in other income (expense).

Fiscal Year

The Company's fiscal year ends on the Saturday closest to January 31. Fiscal years are designated in the financial statements and notes by the calendar year in which the fiscal year commences. The results for fiscal year 2001 represent the fifty-two-week period ended February 2, 2002 and results for fiscal years 2000 and 1999 represent the fifty-three-week and fifty-two-week periods ended February 3, 2001 and January 29, 2000.

Cash and Equivalents

Cash and equivalents include amounts on deposit with financial institutions and money market investments with original maturities of less than 90 days.

Inventories

Inventories are principally valued at the lower of average cost or market, on a first-in first-out basis, using the retail method.

Store Supplies

The initial shipment of selling-related supplies (including, but not limited to, hangers, signage, security tags and packaging) is capitalized at the store opening date. Subsequent shipments are expensed, except for new merchandise presentation programs, which are capitalized. Store supplies are adjusted as appropriate for changes in actual quantities or costs.

Direct Response Advertising

Direct response advertising relates primarily to the production and distribution of the Company's catalogs and is amortized over the expected future revenue stream, which is principally three months from the date catalogs are mailed. All other advertising costs are expensed at the time the promotion first appears in media or in the store. Catalog and advertising costs amounted to \$446 million, \$480 million and \$432 million in 2001, 2000 and 1999.

Long-lived Assets

Depreciation and amortization of property and equipment are computed for financial reporting purposes on a straight-line basis, using service lives ranging principally from 10 to 15 years for building and leasehold improvements, and 3 to 10 years for other property and equipment. The cost of assets sold or retired and the related accumulated depreciation or amortization are removed from the accounts with any resulting gain or loss included in net income. Maintenance and repairs are charged to expense as incurred. Major renewals and betterments that extend service lives are capitalized.

Goodwill is amortized on a straight-line basis over 30 years. Additionally, goodwill related to IBI stock buybacks reverses as the shares are reissued to cover shares needed for employee benefit plans. The cost of intellectual property assets is amortized based on the sell-through of the related products, over the shorter of the term of the license agreement or the estimated useful life of the asset, not to exceed 10 years.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Factors used in the valuation include, but are not limited to, management's plans for future operations, brand initiatives, recent operating results and projected cash flows.

Income Taxes

The Company accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized based on the difference between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect in the years when those temporary differences are expected to reverse. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

Shareholders' Equity

On May 2, 2000, the Company declared a two-for-one stock split ("stock split") in the form of a stock dividend distributed on May 30, 2000 to shareholders of record on May 12, 2000. Shareholders' equity reflects the reclassification of an amount equal to the par value of the increase in issued common shares (\$108 million) from paid-in capital to common stock. Also, in connection with the stock split, the Company retired 327 million treasury shares with a cost of \$4.3 billion. A noncash charge was made to retained earnings for the excess cost of treasury stock over its par value. All share and per share data throughout this report has been restated to reflect the stock split.

Also in 2000, the Company repurchased 9 million shares of its common stock for \$200 million.

On June 3, 1999, the Company completed an issuer tender offer by purchasing 30 million shares of its common stock at \$25 per share.

Revenue Recognition

The Company recognizes sales upon customer receipt of the merchandise. Shipping and handling revenues are included in net sales and the related costs are included in costs of goods sold, buying and occupancy. Revenue for gift certificate sales and store credits is recognized at redemption. A reserve is provided for projected merchandise returns based on prior experience.

Earnings Per Share

Net income per share is computed in accordance with Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share." Earnings per basic share is computed based on the weighted average number of outstanding common shares. Earnings per diluted share includes the weighted average effect of

dilutive options and restricted stock on the weighted average shares outstanding. Additionally, earnings per diluted share includes the impact of the dilutive options and restricted stock at IBI as a reduction to earnings. This resulted in a \$0.01 reduction to 2000 and 1999 earnings per diluted share, but had no impact to 2001 earnings per diluted share.

(Millions)	2001	2000	1999

Weighted Average Common			
Shares Outstanding			
Common shares issued	432	432	759
Treasury shares	(4)	(4)	(320)

Basic shares	428	428	439
Effect of dilutive options			
and restricted stock	7	15	17

Diluted shares	435	443	456
=====			

The computation of earnings per diluted share excludes options to purchase 11.3 million, 1.1 million and 0.6 million shares of common stock in 2001, 2000 and 1999, because the options' exercise price was greater than the average market price of the common shares during the year.

Gains on Sale of Stock by Investees

In accordance with SEC Staff Accounting Bulletin No. 51, "Accounting for Sales of Stock of a Subsidiary," the Company records a non-operating gain when its proportionate share of an investee's equity increases as a result of the investee's initial public stock offering ("IPO").

During the second quarter of 2001, the Company recognized \$62 million of pretax gains as a result of the IPO's of Alliance Data Systems Corp. ("ADS") and Galyan's Trading Company, Inc. ("Galyan's"). ADS is a provider of electronic transaction services, credit services and loyalty and database marketing services. Galyan's is a specialty retailer that sells outdoor and athletic equipment, apparel, footwear and accessories. Prior to the IPO's, the Company's ownership interest in ADS and Galyan's was approximately 31% and 37%, respectively. As of February 2, 2002, the Company owns approximately 14.7 million shares of ADS common stock, representing a 20% ownership interest, and 4.2 million shares of Galyan's common stock, representing a 24% ownership interest. Deferred taxes were provided on the gains using the Company's effective tax rate.

Effective August 31, 1999, an affiliate of Freeman, Spogli & Co. (together with Galyan's management) purchased a 60% majority interest in Galyan's, and the Company retained a 40% interest. In addition, the Company sold certain property for \$77 million to a third party, which then leased the property to Galyan's under operating leases. The Company received total cash proceeds from these transactions of approximately \$182 million, as well as subordinated debt and warrants of \$20 million from Galyan's. During the first five years, interest (at 12% to 13%) on the subordinated debt may be paid in kind rather than in cash. The transactions resulted in a third quarter pretax gain of \$11 million, offset by a \$6 million provision for taxes. In addition, the revised tax basis of the Company's remaining investment in Galyan's resulted in an additional \$7 million of deferred tax expense.

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. Because actual results may differ from those estimates, the Company revises its estimates and assumptions as new information becomes available.

Reclassifications

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

2. Special and Nonrecurring Items

During the third quarter of 2001, the Company sold one of its apparel businesses, Lane Bryant, to Charming Shoppes, Inc. for \$280 million of cash and 8.7 million shares of Charming Shoppes, Inc. common stock valued at \$55 million. On December 12, 2001, the Company received an additional 0.8 million shares of Charming Shoppes, Inc. common stock valued at \$4 million based on a final determination of Lane Bryant's net tangible assets at closing. The transaction resulted in a third quarter pretax gain of \$170 million (net of \$24 million of transaction costs) and a \$68 million tax provision.

As a result of the transaction, the Company owns approximately 9% of Charming Shoppes, Inc. outstanding common stock, and is prohibited from selling the stock until August 16, 2002. The Company will continue to provide certain corporate services to Lane Bryant through a transition period under service agreements.

During the fourth quarter of 2000, the Company recorded a \$10 million special and nonrecurring charge to close Bath & Body Works' nine stores in the United Kingdom. The charge consisted of non-cash store and other asset write-offs of \$5 million and accruals for lease termination and other costs of \$5 million, which were paid during 2001.

During the fourth quarter of 1999, the Company recognized the reversal of a \$37 million liability related to downsizing costs for Henri Bendel, initially recognized as a special and nonrecurring charge to operating income in 1997. The execution of the plan to downsize the remaining Henri Bendel store in New York was primarily based on negotiations with the original landlord. However, a change in landlords ultimately resulted in the termination of negotiations during the fourth quarter of 1999, which prevented the completion of the original plan. As a result, the Company reversed the \$37 million liability through the special and nonrecurring items classification.

On July 15, 1999, the Company's Board of Directors approved a formal plan to spin-off Limited Too. The record date for the spin-off was August 11, 1999, with Limited shareholders receiving one share of Too, Inc. (the successor company to Limited Too) common stock for every seven shares of Limited common stock held on that date. The spin-off was completed on August 23, 1999. The Company recorded the spin-off as a \$25 million dividend, which represented the carrying value of the net assets underlying the common stock distributed. As part of the transaction, the Company received total proceeds of \$62 million that included a \$50 million dividend from TOO and a \$12 million repayment of advances to TOO. During the second quarter of 1999, the Company recognized a \$13 million charge for transaction costs related to the spin-off.

3. Property and Equipment, Net

(Millions)	2001	2000
Property and Equipment, at Cost		
Land, buildings and improvements	\$ 365	\$ 367
Furniture, fixtures and equipment	1,956	2,080
Leaseholds and improvements	675	656
Construction in progress	22	42
Total	3,018	3,145
Less: accumulated depreciation and amortization	1,659	1,750
Property and equipment, net	\$ 1,359	\$ 1,395

4. Other Assets

(Millions)	2001	2000
Goodwill and other intangibles, net of accumulated amortization of \$63 and \$53	\$ 152	\$ 162
Investments in equity securities	198	83
Easton	85	74
Other	176	174
Total	\$ 611	\$ 493

The Company's investments in equity securities include ADS (20% ownership) and Galyan's (24% ownership), both of which began trading publicly in 2001 and are accounted for using the equity method. The carrying value of the ADS and Galyan's investments is \$145 million and the aggregate market value is \$364 million at February 2, 2002. Additionally, the Company owns approximately 9% of Charming Shoppes, Inc. common stock. This investment is publicly traded, classified as an available for sale security and is carried at its market value of \$53 million (cost basis of \$59 million) at February 2, 2002. The current year unrealized loss of \$6 million is included, net of tax, within retained earnings.

The Company also has land, infrastructure and other financial investments in Easton, a 1,200-acre planned community in Columbus, Ohio, that integrates office, hotel, retail, residential and recreational space.

5. Leased Facilities, Commitments and Contingencies

Annual store rent consists of a fixed minimum amount and/or contingent rent based on a percentage of sales exceeding a stipulated amount.

(Millions)	2001	2000	1999
Rent Expense			
Store rent			
Fixed minimum	\$ 605	\$ 625	\$ 636
Contingent	49	57	53
Total store rent	654	682	689
Equipment and other	35	29	32
Total rent expense	\$ 689	\$ 711	\$ 721

For leases that contain predetermined fixed escalations of the minimum rentals and/or rent abatements, the Company recognizes the related rental expense on a straight-line basis and records the difference between the recognized rental expense and amounts payable under the leases as deferred lease credits, which are included in other long-term liabilities. At February 2, 2002 and February 3, 2001, this liability amounted to \$86 million and \$107 million.

At February 2, 2002, the Company was committed to noncancelable leases with remaining terms generally from one to ten years. A substantial portion of these commitments consists of store leases generally with an initial term of ten years, with options to renew at varying terms. Store lease terms generally require additional payments covering taxes, common area costs and certain other expenses. The obligations for these additional payments are excluded from the following table:

(Millions)
Minimum Rent Commitments Under Noncancelable Leases 2002
\$ 587

2003	544
2004	490
2005	423
2006	347
Thereafter	863
=====	

Additionally, the Company has guaranteed \$333 million of minimum rent payments of Abercrombie & Fitch, TOO, Galyan's and Lane Bryant under noncancelable leases expiring at various dates through 2014. These guarantees relate only to leases that commenced prior to the disposition of these subsidiaries. The Company does not intend and is not required to renew its guarantees at the expiration of these leases.

The Company has a non-controlling interest in Easton Town Center, LLC ("ETC"), which owns and is developing the Easton Town Center, a commercial entertainment and shopping center. ETC's principal funding source is a \$189 million secured bank loan, \$183 million of which was outstanding at February 2, 2002. The loan is payable in full on December 6, 2003, with the option of two twelve-month extensions if certain requirements are met. The Company and one of the ETC members have guaranteed the first \$75 million of this loan. If ETC does not meet the debt service coverage ratio required by the loan agreement, the members have the option to make additional cash contributions to ETC. Otherwise, the bank may call the loan under the agreement's default provisions.

The Company and one of the ETC members have also indemnified the bank against any environmental matters related to the Easton Town Center. The Company is not currently aware of any such environmental matters.

The Company has issued a \$30 million standby letter of credit, on which the City of Columbus, Ohio can draw solely to pay principal and interest on public bonds issued by the City for infrastructure development at Easton. The bonds mature on December 1, 2024. Under the terms of the letter of credit, the City can draw funds if Easton property

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tax revenues are insufficient to cover the debt service requirements of the bonds. The Company does not currently anticipate that the City will be required to draw funds under the letter of credit.

The Company is subject to various claims and contingencies related to lawsuits, income taxes and other matters arising out of the normal course of business. Management believes that the ultimate liability arising from such claims or contingencies, if any, is not likely to have a material adverse effect on the Company's results of operations, financial condition or liquidity.

6. Accrued Expenses and Other

(Millions)	2001	2000
Deferred revenue	\$ 165	\$ 151
Compensation, payroll taxes and benefits	118	85
Taxes, other than income	52	57
Insurance	41	39
Rent	40	43
Other	232	206
Total	\$ 648	\$ 581

7. Income Taxes

(Millions)	2001	2000	1999
Income Tax Expense			

Currently payable			
Federal	\$ 261	\$ 252	\$ 389
State	43	27	58
Foreign	5	6	2

Total	309	285	449

Deferred			
Federal	55	17	(82)
State	21	29	4

Total	76	46	(78)

Total income tax expense	\$ 385	\$ 331	\$ 371
=====			

The foreign component of pretax income, arising principally from overseas sourcing operations, was \$59 million, \$70 million and \$42 million in 2001, 2000 and 1999.

	2001	2000	1999

Reconciliation Between the Statutory Federal Income Tax Rate and the Effective Tax Rate			
Federal income tax rate	35.0%	35.0%	35.0%
State income taxes, net of Federal income tax effect	4.3%	4.5%	4.5%
Other items, net	0.5%	0.5%	0.5%

Total	39.8%	40.0%	40.0%
=====			

The reconciliation between the statutory Federal income tax rate and the effective income tax rate on pretax earnings excludes minority interest.

Income taxes payable included net current deferred tax liabilities of \$25 million and \$14 million at February 2, 2002 and February 3, 2001. Income tax payments were \$181 million, \$316 million and \$409 million for 2001, 2000 and 1999.

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

(Millions)	2001			2000		
	Assets	Liabilities	Total	Assets	Liabilities	Total

Effect of Temporary Differences That Give Rise to Deferred Income Taxes Property and equipment	\$ 1	-	\$ 1	\$ 19	-	\$ 19
Undistributed earnings of foreign affiliates	-	\$ (41)	(41)	-	\$ (35)	(35)

Leases	22	-	22	24	-	24
Inventory	16	-	16	25	-	25
Investments in unconsolidated affiliates	-	(24)	(24)	6	-	6
Other, net	68	-	68	79	-	79

Total deferred income taxes	\$ 107	\$ (65)	\$ 42	\$ 153	\$ (35)	\$ 118

8. Long-term Debt

(Millions)	2001	2000

Unsecured Long-term Debt		
7 1/2% Debentures due March 2023	\$ 250	\$ 250
7 4/5% Notes due May 2002	150	150

	400	400
Less: current portion of long-term debt	150	-

Total	\$ 250	\$ 400
=====		

The 7 1/2% debentures may be redeemed, in whole or in part, at the option of the Company at any time on or after March 15, 2003, at declining premiums.

On July 13, 2001, the Company entered into a \$1.25 billion unsecured revolving credit facility (the "Facility"). The Facility is comprised of a \$500 million 364-day agreement and a \$750 million 5-year agreement. Borrowings outstanding under the Facility, if any, are due July 13, 2002 and July 13, 2006, respectively. The Facility has several borrowing and interest rate options, both fixed and variable rate. Fees payable under the Facility are based on the Company's long-term credit ratings, and are 0.1% (for the 364-day agreement) and 0.125% (for the 5-year agreement) of the committed amount per year.

The Facility requires the Company to maintain certain specified fixed charge and debt-to-capital ratios. The Company was in compliance with these requirements at February 2, 2002.

The Facility supports the Company's commercial paper and letter of credit programs, which are used from time to time to fund working capital and other general corporate requirements. The Company did not issue commercial paper or draw on the Facility during 2001. In addition, no commercial paper or amounts under the Facility (or the previous credit facility) were outstanding at February 3, 2001.

The Company has a shelf registration statement under which up to \$250 million of debt securities and warrants to purchase debt securities may be issued.

Interest paid was \$34 million, \$66 million and \$81 million in 2001, 2000 and 1999.

9. Contingent Stock Redemption Agreement and Restricted Cash

On May 3, 1999, the Company, Leslie H. Wexner, Chairman and CEO of the Company, and The Wexner Children's Trust (the "Trust") entered into an agreement (the "Rescission Agreement") rescinding the Contingent Stock Redemption Agreement dated as of January 26, 1996, as amended, among the Company, Mr. Wexner and the Trust. Pursuant to the Rescission Agreement, the rights and obligations of the Company, Mr. Wexner and the Trust under the Contingent Stock Redemption Agreement were terminated, and the Company used the \$352 million of restricted cash to purchase shares in the Company's tender offer, which expired on June 1, 1999.

The Company earned interest of \$4 million in 1999 on the restricted cash.

10. Stock-based Compensation

Stock Options

Under the Company's stock plans, associates may be granted up to a total of 63 million restricted shares and options to purchase the Company's common stock at the market price on the date of grant. Options have a maximum term of ten years and generally vest over periods from four to six years.

Under separate IBI stock plans, IBI associates may be granted up to a total of 37 million restricted shares and options to purchase IBI's common stock at the market price on the date of grant. As of February 2, 2002, options to purchase 13 million IBI shares were outstanding, of which 6 million options were exercisable. These options have a weighted average exercise price of \$12.75 and \$13.01, respectively. Under these plans, options generally vest over periods from four to six years.

The Company measures compensation expense under APB Opinion No. 25, "Accounting for Stock Issued to Employees." If compensation expense had been determined under SFAS No. 123, "Accounting for Stock-Based Compensation," the pro forma effects on net income and earnings per share, including the impact of options issued by IBI, would have been a reduction of approximately \$28 million or \$0.07 per share in 2001, \$22 million or \$0.05 per share in 2000 and \$19 million or \$0.04 per share in 1999.

The weighted average per share fair value of options granted by The Limited (\$5.84, \$5.19 and \$5.64 during 2001, 2000 and 1999) was used to calculate the pro forma compensation expense. The fair value was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions for 2001, 2000 and 1999: dividend yields of 2.3%, 2.3% and 2.1%; volatility of 41%, 36% and 32%; risk-free interest rates of 4%, 5% and 7%; and expected lives of 4.5 years, 4.3 years and 5.2 years. For 2000 and 1999, the Company used an assumed forfeiture rate of 20%.

Restricted Stock

Approximately 75,000, 41,000 and 1,040,000 restricted Limited shares were granted in 2001, 2000 and 1999, with market values at date of grant of \$1 million in each of 2001 and 2000 and \$18 million in 1999. Restricted shares generally vest over a period of four to six years. Approximately 314,000 restricted shares granted in 1999 include performance requirements, all of which were met.

Additionally, IBI granted 59,000 and 340,000 restricted shares in 2000 and 1999. No IBI restricted shares were granted in 2001. Vesting terms for the IBI restricted shares are similar to those of The Limited. The market value of restricted shares is being amortized as compensation expense over the vesting period, generally four to six years.

Total expense related to stock-based compensation, including expense related to awards granted at IBI, amounted to \$13 million in 2001, \$15 million in 2000 and \$29 million in 1999.

Limited Stock Options Outstanding at February 2, 2002

Range of Exercise Prices	Number Outstanding	Options Outstanding Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Options Exercisable Number Exercisable	Weighted Average Exercise Price
\$ 7- \$ 10	7,482,000	5.0	\$ 8.86	3,995,000	\$ 8.62

\$ 11- \$ 15	10,273,000	5.8	\$ 11.64	4,919,000	\$ 11.60
\$ 16- \$ 20	11,249,000	8.0	\$ 17.42	2,960,000	\$ 16.18
\$ 21- \$ 27	1,460,000	8.1	\$ 22.35	398,000	\$ 22.37

\$ 7- \$ 27	30,464,000	6.5	\$ 13.61	12,272,000	\$ 12.08
=====					

	Number of Shares	Weighted Average Option Price Per Share

Limited Stock Option Activity		
1999		
Outstanding at beginning of year	29,846,000	\$ 10.71
Granted	10,014,000	17.31
Exercised	(5,348,000)	9.20
Canceled	(1,938,000)	11.95

Outstanding at end of year	32,574,000	\$ 12.03

Options exercisable at end of year	8,114,000	\$ 9.68
=====		

2000

Outstanding at beginning of year	32,574,000	\$ 12.03
Granted	4,075,000	17.39
Exercised	(4,157,000)	10.22
Canceled	(2,285,000)	14.03

Outstanding at end of year	30,207,000	\$ 12.86

Options exercisable at end of year	10,474,000	\$ 11.53
=====		

2001

Outstanding at beginning of year	30,207,000	\$ 12.86
Granted	5,818,000	17.71
Exercised	(2,464,000)	10.68
Canceled	(3,097,000)	16.43

Outstanding at end of year	30,464,000	\$ 13.61

Options exercisable at end of year	12,272,000	\$ 12.08
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11. Retirement Benefits

The Company sponsors a qualified defined contribution retirement plan and a nonqualified supplemental retirement plan. Participation in the qualified plan is available to all associates who have completed 1,000 or more hours of service with the Company during certain 12-month periods and attained the age of 21. Participation in the nonqualified plan is subject to service and compensation requirements. Company contributions to these plans are based on a percentage of associates' eligible annual compensation. The cost of these plans was \$61 million in 2001, \$58 million in 2000 and \$54 million in 1999. The liability for the nonqualified plan, including contributions made by employees and the Company, amounted to \$109 million and \$107 million at February 2, 2002 and February 3, 2001 and is included in other long-term liabilities.

12. Derivatives, Fair Value of Financial Instruments and Credit Risk

Derivatives

The Company uses forward and energy contracts on a limited basis, in order to reduce market risk exposure associated with fluctuations in foreign currency and energy rates.

The forward contracts are designated at inception as hedges, and are monitored to determine their effectiveness as hedges.

During 2001, the Company entered into contracts to purchase electricity from its utility suppliers in three states, representing a commitment of approximately \$8 million per year for the next two to three years. At the inception of these contracts, forecasted electricity requirements, which were estimated primarily based on historical energy usage, indicated that it was probable that all of the electricity would be used in the operations of the Company. Accordingly, these contracts initially qualified for, and continue to qualify for, the normal purchases and normal sales exception under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," (as amended by SFAS No. 138), which eliminates the requirement to account for these contracts as derivatives. The Company monitors its energy requirements on a regular basis, including an assessment of expected usage under the contracts.

The Company does not hold or issue financial instruments for trading purposes.

Fair Value

The carrying value of cash equivalents, accounts receivable, accounts payable, current portion of long-term debt, and accrued expenses approximates fair value because of their short maturity. The fair value of long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities. The estimated fair value of the Company's long-term debt at February 2, 2002 and February 3, 2001 was \$221 million and \$396 million compared to the carrying value of \$250 million and \$400 million, respectively.

Credit Risk

The Company maintains cash and equivalents with various major financial institutions, as well as corporate commercial paper. The Company monitors the relative credit standing of these financial institutions and other entities and limits the amount of credit exposure with any one entity. The Company also monitors the creditworthiness of the entities to which it grants credit terms in the normal course of business.

13. Segment Information

The apparel segment derives its revenues from sales of women's and men's apparel. The Intimate Brands segment derives its revenues from sales of women's intimate and other apparel, and personal care products and accessories. Sales outside the United States were not significant.

The Company and IBI have entered into intercompany agreements for services that include merchandise purchases, capital expenditures, real estate management and leasing, inbound and outbound transportation and corporate services. These agreements specify that identifiable costs be passed through to IBI and that other service-related costs be allocated based on various methods. Costs are passed through and allocated to the apparel businesses in a similar manner. Management believes that the methods of allocation are reasonable.

As a result of its sale in fiscal 2001, the operating results of Lane Bryant are included in the "Other" category for all periods presented.

(Millions)	Apparel Businesses	Intimate Brands	*Other	Reconciling Items	Total
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Segment Information

2001

Net sales	\$ 3,811	\$ 5,021	\$ 531	-	\$ 9,363
Intersegment sales	711	-	-	@\$ (711)	-
Depreciation and amortization	76	137	64	-	277
Operating income	64	667	17	++ 170	918
Total assets	898	1,483	2,567	/\ (229)	4,719
Capital expenditures	71	198	68	-	337

2000

Net sales	\$ 4,019	\$ 5,117	\$ 969	-	\$ 10,105
Intersegment sales	786	-	-	@\$ (786)	-
Depreciation and amortization	83	122	66	-	271
Operating income	116	754	6	** (10)	866
Total assets	970	1,457	1,548	/\ 113	4,088
Capital expenditures	90	245	111	-	446

1999

Net sales	\$ 3,787	\$ 4,632	\$ 1,347	-	\$ 9,766
Intersegment sales	719	-	-	@\$ (719)	-
Depreciation and amortization	89	105	78	-	272
Operating income	79	794	34	+ 24	931
Total assets	927	1,384	1,791	/\ 24	4,126
Capital expenditures	103	206	67	-	376

* Included in the "Other" category are Henri Bendel, Lane Bryant (through August 16, 2001), Galyan's (through August 31, 1999), TOO (through August 23, 1999), non-core real estate, equity investments and corporate. None of the businesses included in "Other" are significant operating segments.

@ Represents intersegment sales elimination.

/\ Represents intersegment receivable/payable elimination.

Special and nonrecurring items -

++ 2001: a \$170 million gain resulting from the sale of Lane Bryant.

** 2000: a \$10 million charge for Intimate Brands to close Bath & Body Works' nine stores in the United Kingdom.

+ 1999: 1) a \$13 million charge for transaction costs related to the TOO spin-off; and 2) the reversal of a \$37 million liability related to downsizing costs for Henri Bendel. These special items relate to the "Other" category.

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14. Subsequent Event

On March 21, 2002, the Company completed a tax-free tender offer and merger which resulted in the acquisition of the IBI minority interest. The total purchase price was approximately \$1.6 billion, based on approximately 89 million Limited common shares issued or to be issued in the transaction.

The acquisition was effected through an offer to exchange 1.1 shares of Limited common stock for each share of IBI Class A common stock tendered. Upon completion of the tender offer and subsequent exchange, the Company owned greater than 90% of the outstanding common stock of IBI. Thereafter, the Company acquired the remaining outstanding common stock of IBI through a merger in which all publicly-held shares not tendered were exchanged for Limited common stock. As a result, IBI became a wholly-owned subsidiary of The Limited and the former public shareholders of IBI became shareholders of The Limited. IBI stock is no

longer traded publicly on any exchange.

The Company's acquisition of the IBI minority interest will be accounted for using the purchase method of accounting, as prescribed by SFAS No. 141, "Business Combinations." Accordingly, the Company will allocate the purchase price to the minority interest portion of the fair values of identifiable net assets acquired. Any excess purchase price remaining after this allocation will be accounted for as goodwill which, in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets," will not be amortized.

The preliminary purchase price allocation includes approximately \$400 million of acquired intangible assets that relate to trademarks, tradenames and Internet domain names with indefinite lives. In accordance with SFAS No. 142, these intangible assets will not be amortized. The remaining purchase price allocation includes fair market value adjustments related to customer relationships and lists, property and equipment, leases, long-term debt and deferred rent. These adjustments will be amortized over their respective useful lives (primarily five years) resulting in a non-cash expense of approximately \$5 million per year. In addition, the acquisition will result in approximately \$1.2 billion of goodwill. None of the amounts recognized in the purchase price allocation, including goodwill, will be deductible for tax purposes.

In connection with the acquisition, vested and unvested IBI stock options and restricted stock were exchanged for similar Limited stock awards. In accordance with Emerging Issues Task Force Issue No. 00-23, "Issues Related to the Accounting for Stock Compensation under APB Opinion No. 25 and FASB Interpretation No. 44," the Company will record a pretax, non-cash, nonrecurring expense for fully vested awards of approximately \$35 million in the first quarter of 2002. In addition, a pretax, non-cash compensation cost relating to the exchange of unvested Intimate Brands awards for Limited awards of approximately \$50 million will be recorded as deferred compensation in the first quarter of 2002. This compensation cost will be recognized as expense over the remaining vesting periods, primarily the next two years.

15. Quarterly Financial Data (Unaudited)

Summarized quarterly financial results for 2001 and 2000 follow:

(Millions except per share amounts)	First	Second	Third	Fourth

2001 Quarters				
Net sales	\$2,127	\$2,192	\$1,906	\$3,138
Gross income	671	692	567	1,323
Net income	31	72	89	327
Net income per share:				
Basic	\$ 0.07	\$ 0.17	\$ 0.21	\$ 0.76
Diluted	0.07	0.16	0.21	0.75

2000 Quarters				
Net sales	\$2,125	\$2,289	\$2,169	\$3,522
Gross income	698	742	720	1,277
Net income	63	78	49	238
Net income per share:				
Basic	\$ 0.15	\$ 0.18	\$ 0.12	\$ 0.55
Diluted	0.14	0.17	0.11	0.54
=====				

The following special items are included in the above results:

- . In 2001, a \$170 million gain in the third quarter resulting from the sale of Lane Bryant and \$62 million in gains in the second quarter resulting from the IPO's of ADS and Galyan's.
- . In 2000, a \$10 million charge in the fourth quarter to close Bath & Body Works' nine stores in the United Kingdom.

MARKET PRICE AND DIVIDEND INFORMATION

The Company's common stock is traded on the New York Stock Exchange ("LTD"). On February 2, 2002, there were approximately 67,000 shareholders of record. However, when including active associates who participate in the Company's stock purchase plan, associates who own shares through Company-sponsored retirement plans and others holding shares in broker accounts under street names, the Company estimates the shareholder base to be approximately 200,000.

	Market Price		Cash Dividend Per Share
	High	Low	

Fiscal Year 2001			
4th quarter	\$ 18.98	\$ 11.56	\$ 0.075
3rd quarter	17.63	9.00	0.075
2nd quarter	17.50	14.94	0.075
1st quarter	19.99	14.61	0.075

Fiscal Year 2000			
4th quarter	\$ 27.88	\$ 14.50	\$ 0.075
3rd quarter	25.00	18.31	0.075
2nd quarter	25.84	20.94	0.075
1st quarter	25.88	14.44	0.075
=====			

REPORT OF INDEPENDENT ACCOUNTANTS

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, shareholders' equity and cash flows present fairly, in all material respects, the financial position of The Limited, Inc. and its subsidiaries at February 2, 2002 and February 3, 2001, and the results of their operations and their cash flows for each of the three years in the period ended February 2, 2002 (on pages 36 - 43) in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Columbus, Ohio
 February 28, 2002, except for Note 14
 as to which the date is March 21, 2002

SUBSIDIARIES OF THE REGISTRANT

Subsidiaries (a) -----	Jurisdiction of Incorporation -----
Express, LLC (b)	Delaware
Lerner New York, Inc. (c)	Delaware
The Limited Stores, Inc. (d)	Delaware
Henri Bendel, Inc. (e)	Delaware
Structure, Inc. (f)	Delaware
Mast Industries, Inc. (g)	Delaware
Mast Industries (Far East) Limited (h)	Hong Kong
Limited Logistics Services, Inc. (i)	Delaware
Limited Service Corporation (j)	Delaware
Womanco Service Corporation (k)	Delaware
Womanco, Inc. (l)	Delaware
Victoria's Secret Stores, Inc. (m)	Delaware
Victoria's Secret Direct, LLC (n)	Delaware
Bath & Body Works, Inc. (o)	Delaware
Intimate Beauty Corporation (p)	Delaware
Intimate Brands Service Corporation (q)	Delaware
Intimate Brands, Inc. (r)	Delaware

- (a) The names of certain subsidiaries are omitted since such unnamed subsidiaries, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary as of February 2, 2002.
- (b) Express, LLC is a wholly-owned subsidiary of Womanco, Inc., a Delaware corporation and a wholly-owned subsidiary of the registrant.
- (c) Lerner New York, Inc. is a wholly-owned subsidiary of Womanco, Inc., a Delaware corporation and a wholly-owned subsidiary of the registrant.
- (d) The Limited Stores, Inc. is a wholly-owned subsidiary of Womanco, Inc., a Delaware corporation and a wholly-owned subsidiary of the registrant.
- (e) Henri Bendel, Inc. is a wholly-owned subsidiary of Womanco, Inc., a Delaware corporation and a wholly-owned subsidiary of the registrant.
- (f) Structure, Inc. is a wholly-owned subsidiary of the registrant.
- (g) Mast Industries, Inc. is a wholly-owned subsidiary of Mast Industries (Delaware), Inc., a Delaware corporation and a wholly-owned subsidiary of the registrant.
- (h) Mast Industries (Far East) Limited is a wholly-owned subsidiary of Mast Industries (Overseas), Inc., which is a wholly-owned subsidiary of Mast Industries, Inc.
- (i) Limited Logistics Services, Inc. is a wholly-owned subsidiary of LTDSP, Inc., a Delaware corporation and a wholly-owned subsidiary of the registrant.
- (j) Limited Service Corporation is a majority owned subsidiary of Mast Industries (Overseas), Inc.
- (k) Womanco Service Corporation is a wholly-owned subsidiary of Womanco, Inc., a Delaware corporation and a wholly-owned subsidiary of the registrant.

- (l) Womanco, Inc. is a wholly-owned subsidiary of the registrant.
- (m) Victoria's Secret Stores, Inc. is a wholly-owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a majority owned subsidiary of the registrant.
- (n) Victoria's Secret Direct, LLC is a wholly-owned subsidiary of Victoria's Secret Direct Holding LLC, a Delaware limited liability corporation, which is a wholly-owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a majority owned subsidiary of the registrant.
- (o) Bath & Body Works, Inc. is a wholly-owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a majority owned subsidiary of the registrant.
- (p) Intimate Beauty Corporation is a majority owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a majority owned subsidiary of the registrant.
- (q) Intimate Brands Service Corporation is a wholly-owned subsidiary of Intimate Brands, Inc., a Delaware corporation and a majority owned subsidiary of the registrant.
- (r) Intimate Brands, Inc., which as of February 2, 2002, was a majority owned subsidiary of the registrant.

Consent of Independent Accountants

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 33-44041, 33-18533, 33-49871, 333-04927 and 333-04941) and the Registration Statements on Form S-3 (Nos. 33-43832 and 33-53366) of The Limited, Inc. of our report dated February 28, 2002, except for Note 14 as to which the date is March 21, 2002, relating to the financial statements, which appears in the Annual Report to Shareholders, which is incorporated in this Annual Report on Form 10-K.

/s/ PricewaterhouseCoopers LLP

Columbus, Ohio
April 22, 2002

POWER OF ATTORNEY
OFFICERS AND DIRECTORS OF
THE LIMITED, INC.

The undersigned officer and/or director of The Limited, Inc., a Delaware corporation, which anticipates filing an Annual Report on Form 10-K for its fiscal year ended February 2, 2002 under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, DC, hereby constitutes and appoints Leslie H. Wexner, Leonard A. Schlesinger and V. Ann Hailey, and each of them, with full powers of substitution and resubstitution, as attorney to sign for the undersigned in any and all capacities such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 1st day of February, 2002.

/s/ LESLIE H. WEXNER

Leslie H. Wexner

POWER OF ATTORNEY
OFFICERS AND DIRECTORS OF
THE LIMITED, INC.

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EXECUTED as of the 1st day of February, 2002.

/s/ ABIGAIL S. WEXNER

Abigail S. Wexner

POWER OF ATTORNEY

OFFICERS AND DIRECTORS OF
THE LIMITED, INC.

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EXECUTED as of the 1st day of February, 2002.

/s/ MARTIN TRUST

Martin Trust

POWER OF ATTORNEY
OFFICERS AND DIRECTORS OF
THE LIMITED, INC.

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EXECUTED as of the 1st day of February, 2002.

/s/ EUGENE M. FREEDMAN

Eugene M. Freedman

POWER OF ATTORNEY
OFFICERS AND DIRECTORS OF
THE LIMITED, INC.

The undersigned officer and/or director of The Limited, Inc., a Delaware

corporation, which anticipates filing an Annual Report on Form 10-K for its fiscal year ended February 2, 2002 under the provisions of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, Washington, DC, hereby constitutes and appoints Leslie H. Wexner, Leonard A. Schlesinger and V. Ann Hailey, and each of them, with full powers of substitution and resubstitution, as attorney to sign for the undersigned in any and all capacities such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 1st day of February, 2002.

/s/ E. GORDON GEE

E. Gordon Gee

POWER OF ATTORNEY
OFFICERS AND DIRECTORS OF
THE LIMITED, INC.

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EXECUTED as of the 1st day of February, 2002.

/s/ LEONARD A. SCHLESINGER

Leonard A. Schlesinger

POWER OF ATTORNEY
OFFICERS AND DIRECTORS OF
THE LIMITED, INC.

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capacities such Annual Report on Form 10-K and any and all amendments thereto, and any and all applications or other documents to be filed with the Securities and Exchange Commission pertaining to such Annual Report on Form 10-K with full power and authority to do and perform any and all acts and things whatsoever required and necessary to be done in the premises, as fully to all intents and purposes as the undersigned could do if personally present. The undersigned hereby ratifies and confirms all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 1st day of February, 2002.

/s/ DAVID T. KOLLAT

David T. Kollat

POWER OF ATTORNEY
OFFICERS AND DIRECTORS OF
THE LIMITED, INC.

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EXECUTED as of the 1st day of February, 2002.

/s/ ALEX SHUMATE

Alex Shumate

POWER OF ATTORNEY
OFFICERS AND DIRECTORS OF
THE LIMITED, INC.

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hereby ratifies and confirms all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

EXECUTED as of the 1st day of February, 2002.

/s/ DONALD B. SHACKELFORD

Donald B. Shackelford

POWER OF ATTORNEY
OFFICERS AND DIRECTORS OF
THE LIMITED, INC.

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EXECUTED as of the 1st day of February, 2002.

/s/ ALLAN R. TESSLER

Allan R. Tessler

POWER OF ATTORNEY
OFFICERS AND DIRECTORS OF
THE LIMITED, INC.

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EXECUTED as of the 1st day of February, 2002.

/s/ RAYMOND ZIMMERMAN

Raymond Zimmerman

POWER OF ATTORNEY
OFFICERS AND DIRECTORS OF
THE LIMITED, INC.

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EXECUTED as of the 1st day of February, 2002.

/s/ V. ANN HAILEY

V. Ann Hailey

THE LIMITED, INC.
CAUTIONARY STATEMENTS RELATING TO FORWARD-LOOKING INFORMATION

The Company and its representatives may, from time to time, make written or verbal forward-looking statements. Those statements relate to developments, results, conditions, or other events the Company expects or anticipates will occur in the future. Without limiting the foregoing, those statements may relate to future revenues, earnings, store openings, market conditions, and the competitive environment. Forward-looking statements are based on management's then-current views and assumptions and, as a result, are subject to risks and uncertainties, including those described below, which may be outside of the Company's control and that could cause actual results to differ materially from those projected. The following risks are not the only ones facing the Company and additional risks and uncertainties may also develop that impair the Company's business operations.

All forward-looking statements are qualified by the following which, if they develop into actual events, would have a material adverse effect on the Company's business, financial condition or results of operations. In addition, investors in the Company should consider the following risk factors, as well as the other information contained herein.

The Company's revenue and profit results are sensitive to general economic conditions, consumer confidence and spending patterns.

The Company's growth, sales and profitability may be adversely affected by negative local, regional, national or international economic trends that shake consumer confidence, including the effects of war, terrorism or the threat thereof. Purchases of women's and men's apparel, women's intimate apparel, personal care products and accessories often decline during periods when economic or market conditions are unsettled or weak. In such circumstances, the Company may increase the number of promotional sales, which would further adversely affect its profitability.

The Company's net sales, operating income and inventory levels fluctuate on a seasonal basis.

The Company experiences major seasonal fluctuations in its net sales and operating income, with a significant portion of its operating income typically realized during the fourth quarter holiday season. Any decrease in sales or margins during this period could have a disproportionate effect on the Company's financial condition and results of operations.

Seasonal fluctuations also affect the Company's inventory levels, since it usually orders merchandise in advance of peak selling periods and sometimes before new fashion trends are confirmed by customer purchases. The Company must carry a significant amount of inventory, especially before the holiday season selling period.

The Company may be unable to compete favorably in its highly competitive segment of the retail industry.

The sale of intimate and other apparel, personal care products and accessories is highly competitive. Increased competition could result in price reductions, increased marketing expenditures and loss of market share, all of which would have a material adverse effect on the Company's financial condition and results of operations.

The Company competes for sales with a broad range of other retailers, including individual and chain fashion specialty stores and department stores. In addition to the traditional store-based retailers, the Company also competes with direct marketers that sell similar lines of merchandise, who target

customers through catalogs and e-commerce. Direct marketers also include traditional store-based retailers like the Company who are competing in the catalog and e-commerce distribution channels. The Company's direct response business competes with numerous national and regional catalog and e-commerce merchandisers. Brand image, marketing, fashion design, price, service, quality image presentation and fulfillment are all competitive factors in catalog and e-commerce sales.

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

The Company may not be able to keep up with fashion trends and may not be able to launch new product lines successfully.

The Company's success depends in part on management's ability to effectively anticipate and respond to changing fashion tastes and consumer demands and to translate market trends into appropriate, saleable product offerings far in advance. Customer tastes and fashion trends change rapidly. If the Company is unable to successfully anticipate, identify or react to changing styles or trends and misjudges the market for its products or any new product lines, the Company's sales will be lower and it may be faced with a significant amount of unsold finished goods inventory. In response, the Company may be forced to increase its marketing promotions or price markdowns, which would have a material adverse effect on its business. The Company's brand image may also suffer if customers believe merchandise misjudgments indicate that the Company is no longer able to offer the latest fashions.

The Company may lose key personnel.

The Company believes that it has benefited substantially from the leadership and experience of its senior executives, including Leslie H. Wexner (its Chairman of the Board of Directors, President and Chief Executive Officer). The loss of the services of any of these individuals could have a material adverse effect on the business and prospects of the Company. The Company's future success will also depend on its ability to recruit, train and retain other qualified personnel. Competition for key personnel in the retail industry is intense.

The Company's manufacturers may be unable to manufacture and deliver products in a timely manner or meet quality standards.

The Company purchases apparel through its wholly owned subsidiary, Mast, a contract manufacturer and apparel importer, as well as through other contract manufacturers and importers and directly from third-party manufacturers. Personal care, fragrance and beauty products are also purchased through other contract manufacturers and importers and directly from third-party manufacturers. Similar to most other specialty retailers, the Company has narrow sales windows for much of its inventory. Factors outside the Company's control, such as manufacturing or shipping delays or quality problems, could disrupt merchandise deliveries and result in lost sales, cancellation charges or excessive markdowns.

The Company relies significantly on foreign sources of production.

The Company purchases apparel merchandise directly in foreign markets and in the domestic market, some of which is manufactured overseas. The Company does not have any long-term merchandise supply contracts and many of its imports are subject to existing or potential duties, tariffs or quotas. The Company competes with other companies for production facilities and import quota capacity.

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

- . political instability;
- . imposition of new legislation relating to import quotas that may limit the quantity of goods which may be imported into the United States from countries in that region;
- . imposition of duties, taxes, and other charges on imports;
- . currency and exchange risks;
- . local business practice and political issues, including issues relating to compliance with domestic or international labor standards which may result in adverse publicity; and
- . potential delays or disruptions in shipping and related pricing impacts

New initiatives may be proposed that may have an impact on the trading status of certain countries and may include retaliatory duties or other trade sanctions which, if enacted, would increase the cost of products purchased from suppliers in such countries. The future performance of the Company will depend upon this and the other factors listed above which are beyond its control. These factors may have a material adverse effect on the business of the Company.

The Company depends on a high volume of mall traffic and the availability of suitable lease space.

Many of the Company's stores are located in shopping malls. Sales at these stores are derived, in part, from the high volume of traffic in those malls. The Company's stores benefit from the ability of the mall's "anchor" tenants, generally large department stores, and other area attractions to generate consumer traffic in the vicinity of its stores and the continuing popularity of malls as shopping destinations. Sales volume and mall traffic may be adversely affected by economic downturns in a particular area, competition from non-mall retailers and other malls where the Company does not have stores and the closing of anchor department stores. In addition, a decline in the desirability of the shopping environment in a particular mall, or a decline in the popularity of mall shopping among the Company's target consumers, would adversely affect its business.

Part of the Company's future growth is significantly dependent on its ability to open new stores in desirable locations with capital investment and lease costs that allow the Company to earn a reasonable return. The Company cannot be sure as to when or whether such desirable locations will become available at reasonable costs.

Increases in costs of mailing, paper and printing.

Postal rate increases and paper and printing costs will affect the cost of the Company's order fulfilment and catalog and promotional mailings. The U.S. Postal Service has announced an increase in its rates effective June 30, 2002, and this increase will have an impact on our costs. The Company relies on discounts from the basic postal rate structure, such as discounts for bulk mailings and sorting by zip code and carrier routes. Future paper and postal rate increases would adversely impact the Company's earnings if it was unable to pass such increases directly onto its customers or offset such increases by raising prices or by implementing more efficient printing, mailing, delivery and order fulfillment systems.

The Company's stock price may be volatile.

The Company's stock price may fluctuate substantially as a result of quarter to quarter variations in the actual or anticipated financial results of the Company or other companies in the retail industry or markets served by the Company. In addition, the stock market has experienced price and volume fluctuations that have affected the market price of many retail stocks and that

have often been unrelated or disproportionate to the operating performance of these companies.