Lbrands

Proxy Statement for the 2014 Annual Meeting of Stockholders and 2013 Annual Report

Dear Partner,

Our full-year operating income increased 5% and earnings per share increased 7%. Respectable performance. In the global "retail Olympics," we are probably on the podium, but short of the gold medal performance that we were aiming for. The environment was challenging in the fourth quarter for most retailers … for us too. While we were meeting our goal of growing operating income by at least 10% through the first three quarters of the year, the fourth quarter did not meet our expectations. Notwithstanding the retail environment, we did not execute as well as we could or should have. We were not satisfied with our performance in 2013.

Our goal is to be the best specialty retailer in the world … period! Best sales growth and operating income growth … best operating income margin … consistently. I believe we are well positioned to achieve this. We have the opportunity to double our business – to increase operating margin and grow comparable store sales in North America, while accelerating our international growth. We will have about 1,000 international stores by the end of 2014, and yet there is still such a vast opportunity for more, including the establishment of a global e-commerce business.

We have talented leaders and teams, great brands – in the right categories and geographies – and brand-loyal customers. So clearly we have the opportunity to do much better – and should always meet and beat our expectations. Now, we have to quickly get back on our game … and get focused on what we can control and then get better at doing all the things we need to do.

Our plan in the business today revolves around the three "Fs"… FOCUSED, FAST and FRUGAL. Let me explain …

> **FOCUSED**: Our business is pretty simple – we buy and sell merchandise. And we see and do that through the lens of our brands. To do this really well, we absolutely must stay close to and know our customers – like we know our best friends. We need to be relentless in gaining this knowledge firsthand, with fresh insights – not through statistics, analysis and reporting. Constantly adjusting and flexing as we get fresh feedback and insights. The goal is to know our customers … better than anyone else in the world!
>
> **FAST**: Speed may be the most important skill in our business. We have made significant progress over the last few years in reducing all cycle times and increasing speed, but there is substantially more we can do to get even faster. Speed enables us to know and react to what our customers are telling us almost in real time. It maximizes full-priced sales and reduces markdowns. The world is only getting faster … and so must we. The goal is to be the fastest retailer in the world!
>
> **FRUGAL**: We must be efficient and effective to meet our growth goals. We must allocate all our resources – better and wiser. Being frugal isn't solely about cost – it's about productivity. How can we be more productive and efficient? Deciding clearly what we must do – and what doesn't need to be done. The goal is to be "world-class" in efficiency!

Shifting to culture … we value relationships and community. We value the relationship with each and every customer and look to make these relationships stronger. We value our relationships with each and every business partner … vendors, landlords, investors … all who support us. Most important are our relationships with each other – and of course, with our communities here and around the world where we live and do business.

Our teams are leading superb brands. Victoria's Secret, PINK and Bath & Body Works (our major brands) are three of the best brands in the world … with high emotional content, very loyal customers and positive global recognition.

We are committed to doubling our business and increasing our operating income rate to 20%, and we are energized and focused on our fundamentals … FOCUSED, FAST, FRUGAL. We have our eyes on the prize – the gold medal in the global "retail Olympics" and, unlike the real Olympics, we are not waiting four years until the next competition. It's about today – this week – this year – NOW!

I’m privileged to lead and be part of our enterprise – we are good … getting better … and striving to be the best – simply the best global specialty retailer … PERIOD.

Sincerely,

Leslie H Wexner

Leslie H. Wexner
Chairman and CEO

Notice of
Annual Meeting of Stockholders
and Proxy Statement

May 22, 2014

Proxy Statement

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on May 22, 2014: The proxy statement and annual report to stockholders are available at *www.proxyvote.com*.

March 26, 2014

DEAR STOCKHOLDER:

You are cordially invited to attend our 2014 annual meeting of stockholders to be held at **8:30 a.m.**, **Eastern Time**, on May 22, 2014, at our offices located at Three Limited Parkway, Columbus, Ohio 43230. Our Investor Relations telephone number is 614-415-6400 should you require assistance in finding the location of the meeting. The formal Notice of Annual Meeting of Stockholders and proxy statement are attached. If you plan to attend, please bring the Admittance Slip located at the back of this booklet and a picture I.D., and review the attendance information provided. I hope that you will be able to attend and participate in the meeting, at which time I will have the opportunity to review the business and operations of our company.

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

Sincerely yours,

Leslie H. Wexner
Chairman of the Board

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

May 22, 2014

March 26, 2014

To the Stockholders of L Brands, Inc.:

We are pleased to invite you to attend our 2014 annual meeting of stockholders to:

- Elect the four nominees proposed by the Board of Directors as directors to serve for a three-year term.
- Ratify the appointment of our independent registered public accountants.
- Hold an advisory vote to approve named executive officer compensation.
- Vote on the stockholder proposal described in the accompanying proxy statement, if properly presented at the meeting.
- Transact such other business as may properly come before the meeting.

Stockholders of record at the close of business on March 24, 2014 may vote at the meeting. **If you plan to attend, please bring the Admittance Slip located at the back of this booklet and a picture I.D., and review the attendance information provided.**

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

By Order of the Board of Directors,

Leslie H. Wexner
Chairman of the Board

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INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

The Board of Directors (the “Board”) is soliciting your proxy to vote at our 2014 annual meeting of stockholders (or at any adjournment of the meeting). This proxy statement summarizes the information you need to know to vote at the meeting. In this proxy statement, “we,” “our,” and the “Company” refer to L Brands, Inc.

We began mailing this proxy statement and the enclosed proxy card, or the Notice of Internet Availability of Proxy Materials (the “Notice”), on or about March 26, 2014 to all stockholders entitled to vote. The Company’s 2013 Annual Report on Form 10-K, which includes our financial statements, is being sent with this proxy statement and is available in paper copy by request or in electronic form.

Date, Time and Place of Meeting

Date:	May 22, 2014
Time:	**8:30 a.m., Eastern Time**
Place:	Three Limited Parkway, Columbus, Ohio 43230

Attending the Meeting

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

Shares Entitled to Vote

Stockholders entitled to vote are those who owned Company common stock (which we refer to throughout this proxy statement as “Common Stock”) at the close of business on the record date, March 24, 2014. As of the record date, there were 291,014,033 shares of Common Stock outstanding. Each share of Common Stock that you own entitles you to one vote.

Voting Your Shares

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

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

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

- “FOR” the election of the Board’s four nominees for director (as described on pages 4 and 5);

- "FOR" the ratification of the appointment of our independent registered public accountants (as described on page 12);
- "FOR" on the advisory vote to approve named executive officer compensation (as described on pages 13 and 14);
- "AGAINST" the stockholder proposal (as described on pages 15 through 17).

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

Certain stockholders received a Notice containing instructions on how to access this proxy statement and our 2013 Annual Report on Form 10-K via the Internet. Those stockholders should refer to the Notice for instructions on how to vote.

Revoking Your Proxy

You may revoke your proxy by:

- submitting a later dated proxy (including a proxy via telephone or the Internet);
- notifying our Secretary at our principal executive offices at Three Limited Parkway, Columbus, Ohio 43230, in writing before the meeting that you have revoked your proxy; or
- voting in person at the meeting.

Voting in Person

If you plan to vote in person, a ballot will be available when you arrive. However, if your shares are held in the name of your broker, bank or other nominee, you must bring an account statement or letter from the nominee indicating that you were the beneficial owner of the shares at the close of business on March 24, 2014, the record date for voting, as well as a proxy, executed in your favor, from the nominee.

Appointing Your Own Proxy

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

Quorum Requirement

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

Vote Necessary to Approve Proposals

- Pursuant to the Company's Bylaws, each director will be elected by a majority of the votes cast with respect to such director. A majority of the votes cast means that the number of votes "for" a director's election must exceed 50% of the votes cast with respect to that director's election. Any "against" votes will count as a vote cast, but "abstentions" will not count as a vote cast with respect to that director's election. Under Delaware law, if the director is not elected at the annual meeting, the director will continue to serve on the Board as a "holdover director." As required by the Company's Bylaws, each director has submitted an irrevocable letter of resignation as director that becomes effective if he or she does not receive a majority of votes cast in an election and the Board accepts the resignation. If a director is not elected, the Nominating & Governance Committee will consider the director's resignation and recommend to the Board whether to accept or reject the resignation.

- The ratification of Ernst & Young LLP as our independent registered public accountants requires the affirmative vote of a majority of the votes present in person or by proxy and voting thereon.
- The advisory vote to approve named executive officer compensation requires the affirmative vote of a majority of the votes present in person or by proxy and voting thereon. While this vote is required by law, it will neither be binding on the Company or the Board, nor will it create or imply any change in the fiduciary or other duties of, or impose any additional fiduciary or other duties on, the Company or the Board. However, the Compensation Committee will take into account the outcome of the vote when considering future executive compensation decisions.
- The stockholder proposal requires the affirmative vote of a majority of the votes present in person or by proxy and voting thereon.

Impact of Abstentions and Broker Non-Votes

You may "abstain" from voting for any nominee in the election of directors and on the other proposals, and your abstention will not count as a vote cast. Abstentions with respect to the election of directors and on the other proposals will be excluded entirely from the vote and will have no effect.

In addition, under New York Stock Exchange ("NYSE") rules, if your broker holds your shares in its name, your broker is permitted to vote your shares on the proposal to ratify Ernst & Young LLP as our independent registered public accountant, even if it did not receive voting instructions from you. Your broker may not vote your shares on any of the other matters without specific instruction. A "broker non-vote" occurs when a broker submits a proxy but refrains from voting. Shares represented by broker non-votes are counted as present or represented for purposes of determining the presence of a quorum but are not counted as otherwise present or represented.

Obtaining Additional Copies of the Proxy Materials

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

If you hold Common Stock and currently are subject to householding, but prefer to receive separate copies of proxy materials and other stockholder communications from the Company, or if you are sharing an address with another stockholder and would like to consent to householding, you may revoke or grant your consent to householding as appropriate at any time by calling toll-free at 1-800-579-1639 or notifying our Secretary at our principal executive offices at Three Limited Parkway, Columbus, Ohio 43230.

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

PROPOSAL 1: ELECTION OF DIRECTORS

The Board of Directors has nominated four directors for election at the annual meeting. If you elect the four nominees, they will hold office for a three-year term expiring at the 2017 annual meeting or until their successors have been elected. All nominees are currently serving on our Board of Directors.

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

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

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

Nominees and Directors

Nominees of the Board of Directors at the 2014 Annual Meeting

Donna A. James *Director since 2003* *Age 56*

In April 2006, Ms. James established Lardon & Associates LLC, a business and executive advisory services firm, where she is Managing Director. Ms. James served as the President of Nationwide Strategic Investments, a division of Nationwide Mutual Insurance Company, from 2003 through March 2006. Ms. James served as Executive Vice President and Chief Administrative Officer of Nationwide Mutual Insurance Company and Nationwide Financial Services from 2000 until 2003. Ms. James is a director of Time Warner Cable Inc., a provider of video, data and voice services, and Marathon Petroleum Corp., a transportation fuels refiner. Ms. James also served as Chairman of Financial Settlement Services Agency, Inc. from 2005 through 2006, as director of CNO Financial Group, Inc., a holding company for a group of insurance companies, from 2007 to 2011, and as director of Coca-Cola Enterprises Inc., a nonalcoholic beverages company, from 2005 to 2012. She currently serves on the Audit Committee of Marathon Petroleum Corp. and as the Chairperson of the Audit Committee of Time Warner Cable Inc. Ms. James's nomination is supported by her executive experience, financial expertise, service on several boards of directors and experience with respect to corporate diversity and related issues.

Jeffrey H. Miro *Director since 2006* *Age 71*

Mr. Miro has been a senior partner of the Honigman Miller Schwartz and Cohn LLP law firm since November 2004. He was a partner and Chairman of the law firm of Miro Weiner & Kramer from 1981 until November 2004. He is an Adjunct Professor of Law at The University of Michigan Law School, teaching courses in taxation and corporate governance. Mr. Miro was a director of M/I Homes, Inc., a national home building company, until December 2012, and was a director of Sotheby's Holdings, Inc., an auctioneer of art, jewelry and collectibles, until May 2006. Mr. Miro's nomination is supported by his legal expertise, particularly with respect to corporate governance and real estate matters.

Michael G. Morris *Director since 2012* *Age 67*

Mr. Morris served as the Chairman of the Board of American Electric Power Company, Inc., one of the largest electric utilities in the United States, from 2012 to December 2013. From January 2004 until November 2011, Mr. Morris served as the President, Chief Executive Officer and Chairman of American Electric Power Company, Inc. From 1997 until 2003, he served as the Chief Executive Officer of Northeast Utilities, the largest electric utility in New England. Mr. Morris currently serves as a director of Spectra Energy Corp., one of North America's leading natural gas infrastructure companies, The Hartford Financial Services Group, Inc., an investment and insurance company, and Alcoa Inc., a leading producer of aluminum. Mr. Morris's nomination is supported by his broad business experience and management expertise.

Raymond Zimmerman *Director since 1984* *Age 81*

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

Directors Whose Terms Continue until the 2015 Annual Meeting

E. Gordon Gee *Director since 2012* *Age 70*

Dr. Gee is currently the President of West Virginia University, a large public research institution. Prior to his current service at West Virginia University, he led several other major universities, including The Ohio State University (2007-2013, 1990-1998), Vanderbilt University (2000-2007), Brown University (1998-2000), the University of Colorado (1985-1990), and West Virginia University (1981-1985). Dr. Gee also currently serves as a director of Bob Evans Farms, Inc., an owner and operator of family restaurants, and the National 4-H Council. He previously served as a director of the Company from 1992 to 2008, and as a director of Hasbro, Inc., a branded-play company, from 1999 until 2010. Dr. Gee's nomination was supported by his extensive executive and management experience, as well as his legal expertise and knowledge of the Company gained through his prior service as a director.

Allan R. Tessler *Director since 1987* *Age 77*

Mr. Tessler has been Chairman of the Board and Chief Executive Officer of International Financial Group, Inc., an international merchant banking firm, since 1987. He previously served as Chairman of the Board of Epoch Investment Partners, Inc., an investment management company, from 2004 to 2013 and as Chairman of the Board of J Net Enterprises Inc., a technology holding company, from 2000 to 2004. Mr. Tessler also served as Chairman of the Board of InterWorld Corporation from 2001 to 2004 and as Chairman of Checker Holdings Corp. IV from 1997 to 2009. Mr. Tessler has served as a director of TD Ameritrade, a securities brokerage company, since November 2006, and he serves as a member of its Audit Committee. He has also served as a director of Steel Partners Holding GP, Inc., a general partner of a global diversified holding company, since 2010, and currently serves as Chairman of the Board of both Teton Financial Services, a financial services company, and Rocky Mountain Bank, a Wyoming bank. Mr. Tessler's nomination was supported by his broad business experience and financial expertise, together with his involvement in various public policy issues.

Stephen D. Steinour *Director since 2014* *Age 55*

Mr. Steinour has been the Chairman, President & Chief Executive Officer of Huntington Bancshares Incorporated, a regional bank holding company, since 2009. From 2008 to 2009, Mr. Steinour was a Managing Partner in CrossHarbor Capital Partners, LLC, a recognized leading manager of alternative investments.

Mr. Steinour was with Citizens Financial Group from 1992 to 2008, where he served in various executive roles, including President from 2005 to 2007 and Chief Executive Officer from 2007 to 2008. Mr. Steinour currently serves as a director of Exelon Corporation, a utility services holding company, and as a trustee of Liberty Property Trust, a real estate investment trust. Mr. Steinour's nomination is supported by his executive experience, financial expertise and service on several boards of directors.

Abigail S. Wexner *Director since 1997* *Age 52*

Mrs. Wexner is a member and former Chair of the Boards of Directors of Nationwide Children's Hospital Inc. and Nationwide Children's Hospital, Founder and Chair of the Boards of The Center for Family Safety & Healing and KidsOhio.org, Vice Chair of the Board of KIPP Journey Academy, a Trustee of The Wexner Center Foundation and the United States Equestrian Team Foundation, a member of the Board of Directors for Pelotonia and a director of Advanced Drainage Systems and The Ohio State University Wexner Medical Center. Mrs. Wexner is the wife of Leslie H. Wexner. Mrs. Wexner's nomination was supported by her executive and legal experience, as well as her expertise with respect to a wide range of diversity, philanthropic and public policy issues.

Directors Whose Terms Continue until the 2016 Annual Meeting

Dennis S. Hersch *Director since 2006* *Age 67*

Mr. Hersch is President of N.A. Property, Inc., through which he acts as a business advisor to Mr. and Mrs. Wexner, and has done so since February 2008. He also serves as a trustee of several trusts established by Mr. and Mrs. Wexner. He was a Managing Director of J.P. Morgan Securities Inc., an investment bank, from December 2005 through January 2008, where he served as the Global Chairman of its Mergers & Acquisitions Department. Mr. Hersch was a partner of Davis Polk & Wardwell LLP, a New York law firm, from 1978 until December 2005. Mr. Hersch has served as a director at NBCUniversal Enterprise, Inc., a subsidiary of Comcast Corporation, since 2013 and at Sprout Foods, Inc., a producer of organic baby food, since 2009. Mr. Hersch also served as a director of Clearwire Corporation, a wireless, high-speed Internet service provider, from November 2008 to 2013. Mr. Hersch's nomination was supported by his legal and financial expertise, as well as his considerable experience with corporate governance matters, strategic issues and corporate transactions.

David T. Kollat *Director since 1976* *Age 75*

Dr. Kollat has been Chairman of 22, Inc., a management consulting firm, since 1987. He has served as director of Select Comfort Corporation, a designer, manufacturer and retailer of premium beds and bedding accessories, since 1994, and Wolverine World Wide, Inc., a global footwear, athletic apparel and accessories designer, manufacturer and retailer, since 1992. Dr. Kollat also served as director of Big Lots, Inc., a retailer, from 1990 to 2013. In addition to his broad business experience (including service on several boards of directors) and marketing expertise, Dr. Kollat's nomination was supported by his particular experience in the retail, apparel and other related industries, both at the management and board levels.

William R. Loomis, Jr. *Director since 2005* *Age 66*

Mr. Loomis serves as Senior Advisor to Lazard Ltd., an investment bank. He has also been an independent financial advisor since 2009. Mr. Loomis has served as a director of Phillips 66 Company, a producer of petrochemicals, since 2012. Mr. Loomis also served as a director of Pacific Capital Bancorp, a banking and financial services firm, from 2010 to 2012. Mr. Loomis was a General Partner or Managing Director of Lazard Freres & Co., an investment bank, from 1984 to 1999. After the formation of Lazard Ltd. in 2000, he became the Chief Executive Officer of the new entity. Mr. Loomis became a Limited Managing Director of Lazard Ltd. in 2002 and resigned from that position in March 2004. Until 2005, Mr. Loomis was a member of the Board of

Directors of Alcan, Inc., a manufacturer and distributor of aluminum. Mr. Loomis's nomination was supported by his executive experience, financial expertise and substantial history as a senior strategic advisor to complex businesses and multiple executives.

Leslie H. Wexner *Director since 1963* *Age 76*

Mr. Wexner has been Chief Executive Officer of the Company since he founded the Company in 1963, and Chairman of the Board for more than fifty years. Mr. Wexner is the husband of Abigail S. Wexner. Mr. Wexner's nomination was supported by his effective leadership of the Company since its inception.

Director Independence

The Board has determined that each of the individuals nominated to serve on the Board of Directors, together with each of the members of the Board who will continue to serve after the 2014 annual meeting of stockholders (except for E. Gordon Gee, Dennis S. Hersch, Abigail S. Wexner and Leslie H. Wexner), has no material relationship with the Company other than in his or her capacity as a director of the Company and that each is "independent" in accordance with applicable NYSE standards. Following the annual meeting of stockholders, if all director nominees are elected to serve as our directors, independent directors will constitute two-thirds of our Board.

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

Board Leadership Structure

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

Allan R. Tessler currently serves as the lead independent director. In July 2012, the Board determined that the lead independent director should be appointed solely by the independent directors, as they deem appropriate, and Mr. Tessler was subsequently reappointed as the lead independent director by them. As lead independent director, Mr. Tessler has the authority to call meetings of the independent directors, at which he serves as the chairman. Mr. Tessler also approves information sent to the Board, including the agenda for Board meetings, and is responsible for approving meeting schedules in order to assure that there is sufficient time for discussion of all agenda items.

The Company believes that the lead independent director structure, including Mr. Tessler's service as lead independent director, offers independent oversight of the Company's management to complement the leadership that Mr. Wexner provides to the Board as its Chairman.

Risk Oversight; Certain Compensation Matters

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

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

Information Concerning the Board of Directors

Meeting Attendance

Our Board of Directors held 5 meetings in fiscal year 2013. During fiscal year 2013, all of the directors attended 75% or more of the total number of meetings of the Board and of the committees of the Board on which they served (which were held during the period in which they served).

Committees of the Board of Directors

Audit Committee

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

The Report of the Audit Committee can be found on page 52 of this proxy statement. The Audit Committee held 15 meetings in fiscal year 2013.

Compensation Committee

The Compensation Committee of the Board (i) oversees the Company's compensation and benefits philosophy and policies generally, (ii) evaluates the Chief Executive Officer's (the "CEO") performance and oversees and sets compensation for the CEO, (iii) oversees the evaluation process and compensation structure for other members of the Company's senior management and (iv) fulfills the other responsibilities set forth in its charter. The current members of the Compensation Committee are Dr. Kollat (Chair) and Messrs. Miro and Morris. The Board has determined that each of the current Compensation Committee members is "independent" in accordance with applicable NYSE standards.

The Report of the Compensation Committee can be found on page 47 of this proxy statement. The Compensation Committee held 8 meetings in fiscal year 2013.

Nominating & Governance Committee

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

The Nominating & Governance Committee develops and recommends to the Board criteria and procedures for the selection and evaluation of new individuals to serve as directors and committee members. It also reviews and periodically makes recommendations to the Board regarding the composition, size, structure, practices, policies and activities of the Board and its committees. In making its assessment and in identifying and evaluating director nominees, the Nominating & Governance Committee takes into account the qualifications of existing directors for continuing service or re-nomination, which may be affected by, among other things, the quality of their contributions, their attendance records, changes in their primary employment or other business affiliations, the number of boards of publicly held companies on which they serve, or other competing demands on their time and attention. While the Board has not established any specific minimum qualifications for director nominees, as indicated in the Company's corporate governance principles, the directors and any potential nominees should be individuals of diverse backgrounds who possess the integrity, judgment, skills, experience and other characteristics that are deemed necessary or desirable for the effective performance of the Board's oversight function. Certain of the skills, qualifications and particular areas of expertise considered with respect to the members of the Board of Directors at the time each Director was nominated are summarized in the director biographies found on pages 4 through 7 of this proxy statement. Although the Nominating & Governance Committee considers diversity as a factor in the selection of Board nominees, the Committee does not use formal quantitative or similar criteria with regard to diversity in its selection process.

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

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

The Nominating & Governance Committee held 3 meetings in fiscal year 2013.

Executive Committee

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

Finance Committee

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

Inclusion Committee

The Inclusion Committee of the Board is instrumental in the Board's fulfillment of its oversight responsibilities relating to, among other things, (i) the Company's commitment to diversity and inclusion and (ii) the performance of the Company's Office of Inclusion. The current members of the Inclusion Committee are Mrs. Wexner (Chair), Dr. Gee and Ms. James. As appropriate, Mr. Alex Shumate, a former director of the Board, also participates in the Committee's work.

Meetings of the Company's Non-Management Directors

The non-management directors of the Board meet in executive session in connection with each regularly scheduled Board meeting. Mr. Tessler serves as the chair of those meetings, which neither Mr. Wexner nor Mrs. Wexner attends.

Communications with the Board

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

Attendance at Annual Meetings

The Company does not have a formal policy regarding attendance by members of the Board of Directors at the Company's annual meeting of stockholders. However, it encourages directors to attend and historically nearly all have done so. All of the then-current Board members attended the 2013 annual meeting. Each director is expected to dedicate sufficient time, energy and attention to ensure the diligent performance of his or her duties, including by attending meetings of the Board and the committees of which he or she is a member.

Code of Conduct, Related Person Transaction Policy and Associated Matters

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

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

The Company is engaged in several projects designed to increase our speed and agility in producing products that satisfy our customers. In the case of our beauty, personal care and home fragrance businesses, the development of supplier facilities in close proximity to our headquarters and distribution facilities in central Ohio has been an integral part of capturing the many business benefits of speed and agility. The New Albany Company ("NACO"), a business beneficially owned by Mr. and Mrs. Wexner, is in the business of developing real estate, including industrial parks, and has sold land (and may in the future sell land) to certain vendors or third party developers in connection with the continuing development of an industrial park focused on the foregoing business categories (the "Beauty Park") in New Albany, Ohio. This matter was evaluated by the Audit Committee of the Board of Directors, which concluded that the underlying transactions were in the best interests of the Company and its stockholders generally. The Audit Committee continues to monitor such vendor and third party transactions on an ongoing basis.

In light of the Company's highly favorable experience with vendors at the Beauty Park and our growth plans for the beauty, personal care and home fragrance businesses, it was determined that new Company facilities required to achieve such projected growth should also be located as close as possible to the Beauty Park. The Company identified certain land owned by NACO that, together with certain other adjacent parcels owned by a number of third parties, constituted sufficient acreage in immediate proximity to the Beauty Park that would be suitable for this purpose. After review in accordance with our Related Person Transaction Policy, with advice from independent counsel and real estate appraisers and advisors, the Audit Committee, as well as all of the members of the Board of Directors who are not affiliated with Mr. and Mrs. Wexner, determined that the purchase of the NACO land for approximately $21 million, and the assumption from NACO of contracts to purchase the adjacent parcels directly from third parties for approximately $7 million, were in the best interests of the Company and its stockholders generally. This determination was made in reliance on, among other things, an opinion received from an independent financial advisor with specialized expertise in commercial real estate that such transaction was fair to the Company from a financial point of view.

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

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

PROPOSAL 2: RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

The Audit Committee has appointed Ernst & Young LLP to serve as the Company's independent registered public accountants for the fiscal year ending January 31, 2015. We are asking you to ratify this appointment, although your ratification is not required. A representative of Ernst & Young LLP will be present at the meeting, will have the opportunity to make a statement and will be available to respond to appropriate questions.

Additional information concerning the Company's engagement of Ernst & Young LLP is included on page 53.

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

PROPOSAL 3: ADVISORY VOTE TO APPROVE NAMED EXECUTIVE OFFICER COMPENSATION

The Dodd-Frank Wall Street Reform and Consumer Protection Act requires us to provide an advisory stockholder vote to approve the compensation of the Company's named executive officers ("NEOs"), as such compensation is disclosed pursuant to the disclosure rules of the Commission. After the Company's 2011 annual meeting, the Board determined to hold this advisory "say-on-pay" vote every year. Accordingly, the Company is providing its stockholders with the opportunity to cast an advisory vote on the fiscal 2013 compensation of our NEOs as disclosed in this proxy statement, including the Compensation Discussion and Analysis (the "CD&A"), the compensation tables and other narrative executive compensation disclosures.

Stockholders are being asked to vote on the following resolution:

"RESOLVED, that the stockholders approve the compensation of the Company's executive officers named in the Summary Compensation Table, as disclosed pursuant to Item 402 of Regulation S-K (which disclosure includes the Compensation Discussion and Analysis, the compensation tables and other narrative executive compensation disclosures)."

In fiscal 2013, the Company delivered its third straight year of record-setting sales and adjusted earnings, resulting in a total shareholder return of 13% and an increase in our stock price of 11%. We believe in paying for performance, and our challenging incentive goals require superior results, including significant growth in operating income year over year, to achieve target pay. As a result, notwithstanding the Company's record-setting fiscal 2013 performance, compensation for the majority of NEOs decreased significantly from fiscal 2012 to fiscal 2013 due to reduced short term, performance-based cash incentive compensation (due to below target achievement of challenging fiscal 2013 performance goals) and decreased long term, performance-based stock grants.

NEO pay opportunity for fiscal 2013 was set in March 2013 considering relevant factors, including fiscal 2012 performance. With the goal of providing incentives for continued superior performance, the Compensation Committee took the following actions:

- Set short term incentive compensation goals at targets that require significant growth in operating income over record fiscal 2012 results.
- Continued the rigorous performance measure required for NEOs to earn restricted stock units ("RSUs").
- Maintained Mr. Wexner's salary at his 2008 level with unchanged short term incentive targets and increased target value of performance-based long term incentives.
- Awarded Mr. Wexner stock options and performance-based RSUs in January 2014 with a value of approximately $7.2 million, a decrease from the prior year.
- Increased Mr. Coe's salary by 12% in recognition of his success at Bath & Body Works in 2012 and to align his compensation with internal and external positions of similar responsibility.
- Increased short term performance-based incentive compensation targets and awarded special, long term performance-based incentive awards to Mr. Coe and Mr. McGuigan to incent future performance and provide long term retention.

Although the Company performed well over the last three years, Mr. Wexner's total direct compensation has remained flat or decreased each year as a result of high performance expectations established by our independent Compensation Committee. The Company's increase in stockholder return, including reinvested dividends, exceeded the rate of increase in CEO pay (as disclosed in further detail in the CD&A).

Although the advisory stockholder vote on executive compensation is non-binding, the Compensation Committee has considered and will continue to consider the outcome of the vote and feedback received from stockholders when making compensation decisions for NEOs. We have a policy of robust engagement with stockholders, including continuing outreach to and dialogue with all of our major institutional stockholders. For example, in response to investor feedback received in fiscal 2013, we eliminated tax equalization payments on taxable contributions to our non-qualified retirement plan beginning in 2014. We have also made a number of changes to our compensation program in previous years based on investor feedback, including:

- Eliminating tax gross-ups for NEOs upon a change in control.
- Establishing a policy prohibiting the future issuance of "single trigger" equity awards.
- Instituting a "no hedging" policy governing stock trading.
- Establishing a clawback policy to recover compensation in the event of a financial restatement.
- Establishing stock ownership guidelines for NEOs.

These changes, along with our continued strong performance, were important factors in achieving 91% stockholder support for our 2013 advisory vote on executive compensation. Given this strong level of support, the Compensation Committee has concluded that a large majority of our stockholders support our existing compensation program.

We continue to deliver solid returns and are committed to creating long term value for our stockholders. The Company's sustained performance in fiscal 2013—including new records year over year—was led by our NEOs who are incented to perform by our compensation program and its connection to results. In summary, we see alignment between our performance, our stockholders' interests and our NEOs' pay.

Please refer to the CD&A for a detailed discussion of the Company's executive compensation principles and practices and the fiscal 2013 compensation of our NEOs.

The Board Recommends a Vote FOR this Proposal.

PROPOSAL 4: STOCKHOLDER PROPOSAL REGARDING STOCKHOLDER ACTION BY WRITTEN CONSENT

John Chevedden, 2215 Nelson Ave., No. 205 Redondo Beach, CA 90278, owner of 576 shares of Common Stock, has notified the Company that he intends to submit the following proposal at this year's meeting:

Proposal 4—Right to Act by Written Consent

Resolved, Shareholders request that our board of directors undertake such steps as may be necessary to permit written consent by shareholders entitled to cast the minimum number of votes that would be necessary to authorize the action at a meeting at which all shareholders entitled to vote thereon were present and voting. This written consent is to be consistent with giving shareholders the fullest power to act by written consent in accordance with applicable law. This includes shareholder ability to initiate any topic for written consent consistent with applicable law.

Wet Seal (WTSLA) shareholders successfully used written consent to replace certain underperforming directors in 2012. This proposal topic also won majority shareholder support at 13 major companies in a single year. This included 67%-support at both Allstate and Sprint.

This proposal empowers shareholders by giving them the ability to effect change without being forced to wait until the annual meeting. Shareholders could replace a director using action by written consent. Shareholder action by written consent could save our company the cost of holding a shareholder meeting between annual meetings.

This proposal should also be more favorably evaluated due to our company's clearly improvable corporate governance performance as reported in 2013:

GMI Ratings, an independent investment research firm, rated our company D for executive pay—$58 million for Leslie Wexner. Plus GMI said L Brands did not disclose specific performance objectives for Mr. Wexner and L Brands can give long-term incentive pay to Mr. Wexner for below-median performance.

In regard to our board of directors, the following directors had 16 to 50-years long tenure: Abigail Wexner, Allan Tessler (Lead Director), Raymond Zimmerman (age 80), David Kollat (age 74), and Leslie Wexner (age 75). Director independence declines after 10 to 15-years. Plus David Kollat (age 74) and Donna James had director duties at 3 companies each—over-commitment concern. Mr. Kollat received our highest negative votes.

In spite of our 79% vote our management failed to adopt the 2012 proposal for a simple majority vote standard in our elections. In spite of our 76% vote our management failed to adopt the 2013 proposal for annual election of each director instead of 3-year terms. Of course our management had no trouble getting the necessary vote for their own 2011 stock option plan.

GMI said L Brands had been flagged for its failure to establish specific environmental impact reduction targets, a critical practice for any company operating in a high environmental impact industry that is committed to its own long-term sustainability. L Brands did not regularly publish a formal sustainability report.

Returning to the core topic of this proposal from the context of our clearly improvable corporate governance, please vote to protect shareholder value:

Right to Act by Written Consent—Proposal 4

Our Response—Statement in Opposition to Stockholder Proposal Regarding Stockholder Action by Written Consent

The Board has carefully considered the above proposal and believes that it is not in the best interests of our stockholders. Consequently, the Board recommends a vote AGAINST the proposal.

The proposal could deprive stockholders of the right to participate in key decisions affecting the Company.

The Board believes that the proposal could result in stockholder disenfranchisement, as it could lead to stockholders being denied the ability to vote or otherwise have a say on proposed stockholder actions. Stockholder actions by written consent can be taken without prior notice to, and without a vote of, other stockholders. This would enable certain stockholders, including small groups of large, self-interested stockholders, to take actions—effectively in secret—without the involvement of other stockholders, unlike actions taken at stockholder meetings that ensure the participation of all stockholders and the opportunity for discussion. This lack of transparency and accountability could also result in stockholders receiving less value than they might otherwise receive because the Board might not have an opportunity to seek higher-value alternatives to actions taken in this manner.

The proposal lacks procedural safeguards that allow stockholders to make informed decisions.

The Board believes that the proposal could result in stockholders being denied the opportunity to receive information about proposed actions and to make informed decisions, even if they are able to vote on the proposed action. The approval of proposals at stockholder meetings ensures that proposals are widely disseminated to stockholders through a proxy statement and any additional soliciting materials, which must contain information about the proposed action as specified by the Commission. If a meeting is convened, the Board is provided with an opportunity to present its analysis and recommendations to stockholders. Further, the proxy statement and any additional soliciting materials must be distributed to all stockholders in advance of the meeting, providing stockholders with sufficient time and opportunity to consider the proposals before voting.

In contrast, stockholder action by written consent lacks these procedural safeguards. There is no requirement in the proposal to provide stockholders with a description of the proposed action or the reasons for the proposed action. It may be possible for some stockholders to take action without providing proper disclosure to other stockholders that discusses the issues that are the subject of the consent solicitation, or providing any information regarding themselves or their interests in the proposed action. As notice is not required, stockholders may not have sufficient time or opportunity to evaluate the proposed action. Further, the Board does not have the opportunity to provide its views to stockholders with respect to a proposed action by written consent. It may therefore be generally more difficult for stockholders to make a considered decision on such proposed actions.

This proposal would also be costly and disruptive for the Company. Permitting solicitations and action outside of, and in addition to, the traditional setting of a stockholder meeting could result in significant commitments of additional time and expense on the part of the Company with little corresponding benefit to stockholders. In addition, given the lack of procedural safeguards, different groups of stockholders could undertake duplicative and opposing written consents on the same proposal, resulting in confusion and inefficiencies.

The Company's current policies already provide stockholders with multiple avenues for expressing their views.

Our stockholders have other, very significant avenues for raising important matters with our Board. For example, our Bylaws permit holders of 25% or more of our stock to request a special meeting, which is a powerful means to consider and approve stockholder-sponsored actions and timely effect changes while ensuring the participation of all stockholders and retaining important procedural safeguards.

In addition, stockholders have frequently used our annual meetings to propose business by, for example, submitting proposals (such as this one) to a vote, and the Company has consistently taken action in response to those proposals. For example, notwithstanding the incorrect statements contained in the proponent's supporting statement, the Board has previously put forward—and recommended—proposals to amend our Certificate of Incorporation in order to implement stockholder proposals for a majority vote standard and the annual election of directors. (The proposed amendments did not go into effect only because they failed to achieve the requisite stockholder vote.)

Finally, the Company uses various means to seek out stockholder views outside the confines of formal stockholder meetings—and then considers the input and acts accordingly. For example, our engagement with stockholders in 2013 included outreach, subject to applicable securities laws, to all of our major institutional investors and meetings or teleconferences with several of their governance departments. These discussions yielded valuable input reflected in Board action. For example, consistent with feedback from various stockholders, the Compensation Committee has taken action on tax gross-up provisions, stock plan structure, equity award policy, hedging and performance metrics for CEO compensation.

In sum, the Board believes that stockholder action by written consent is unnecessary, while creating the risk that it could be used by small groups of self-interested stockholders to exclude other stockholders from critical decisions affecting the Company.

The Board Recommends a Vote AGAINST the Stockholder Proposal Regarding Stockholder Action by Written Consent.

COMPENSATION-RELATED MATTERS

Compensation Discussion and Analysis

Executive Summary

Overview

In fiscal 2013, we delivered our third straight year of record-setting sales and adjusted earnings. Our total shareholder return was 13% and our stock price rose 11%.

Notwithstanding this performance, compensation for our NEOs (with the exception of Mr. Coe whose compensation is further described below) decreased significantly from fiscal 2012 to fiscal 2013. The decrease is attributable to:

- Reduced short term, performance-based cash incentive compensation due to below target achievement of challenging fiscal 2013 performance goals; and
- Decreased long term, performance-based stock grants.

Stockholder Return

Our compensation program requires superior performance for our NEOs to earn performance-based incentives at target. Although the Company performed well over the last three years, CEO pay has remained flat or decreased each year as a result of high performance expectations established by our independent Compensation Committee. The Company's increase in stockholder return, including reinvested dividends, exceeded the rate of increase in CEO pay (as disclosed in the 2013 Summary Compensation Table):

- Over the last year, the total shareholder return was 13% while CEO pay decreased 17%; and
- Over the last four years (since 2009 fiscal year-end) the total shareholder return was 301% while CEO pay increased 47%.

2013 Compensation Decisions

NEO pay opportunity for fiscal 2013 was set in March 2013 considering relevant factors, including fiscal 2012 performance. Fiscal 2013 compensation decision highlights include:

- Set short term incentive compensation goals at target that require significant growth in operating income over record fiscal 2012 results;
- Continued the rigorous performance measure required for NEOs to earn RSUs;
- Maintained Mr. Wexner's salary at his 2008 level with unchanged short term incentive targets and increased target value of performance-based long term incentives;
- Awarded Mr. Wexner stock options and performance-based RSUs in January 2014 with a value of approximately $7.2 million, a decrease from the prior year;
- Increased the base salaries of Ms. Turney, Mr. McGuigan and Mr. Burgdoerfer by 3%, in line with the general movement of the market;
- Increased Mr. Coe's salary by 12% in recognition of his success at Bath & Body Works in 2012 and to align his compensation with internal and external positions of similar responsibility; and
- Increased short term performance-based incentive compensation targets and awarded special, long term performance-based incentive awards to Mr. Coe and Mr. McGuigan to incent future performance and ensure long term retention.

Pay for Performance

The Compensation Committee's independent compensation consultant conducted an analysis that found that our NEO compensation is aligned with performance and appropriate based on the competitive market, achievement of performance goals and total returns delivered to our stockholders.

Stockholder Advisory Vote

In 2013, 91% of stockholders voted in favor of our executive compensation program. The Compensation Committee considers this vote and other stockholder feedback when making compensation decisions for NEOs. In response to stockholder feedback in 2013, we eliminated tax equalization payments on taxable contributions to our non-qualified retirement plan beginning in 2014.

The following compensation practices have been implemented in response to stockholder feedback:

- No tax gross-ups for NEOs upon a change in control.
- Double trigger vesting of equity awards upon a change in control for all equity awards since 2011 (a significant majority of unvested awards) plus a policy that prohibits the future issuance of single trigger awards.
- "No hedging" policy governing stock trading.
- Clawback policy to recover compensation in the event of a financial restatement.
- Stock ownership guidelines for NEOs.
- Stock plan with minimum vesting requirements:
  - Three year minimum vesting for RSUs that are based on the passage of time; and
  - One year minimum vesting for RSUs that are based on performance.
- Stock plan that prohibits the re-pricing of stock options without stockholder approval.

Conclusion

We continue to deliver solid returns and are committed to creating long term value for our stockholders. The Company's sustained performance in fiscal 2013—including new records year over year—was led by our NEOs who are incented to perform by our compensation program and its connection to results. In summary, we see alignment between our performance, our stockholders' interests and our NEOs' pay. Accordingly, we recommend stockholders vote "FOR" the executive compensation program as outlined in Proposal 3.

Executive Compensation Philosophy

Guiding Principles

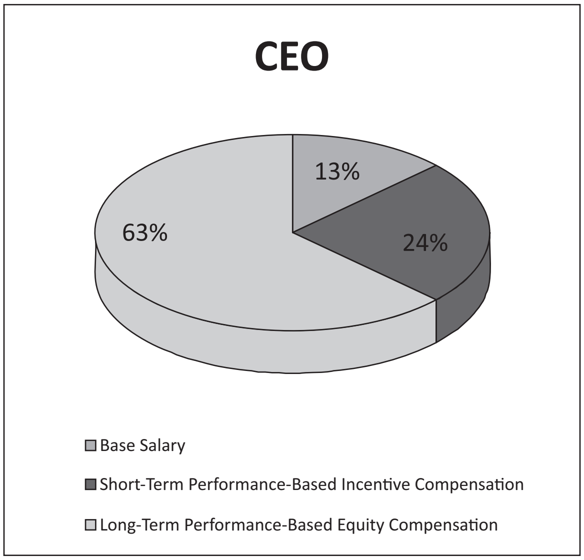
The Compensation Committee has built an executive compensation program on clear, purposeful guiding principles:

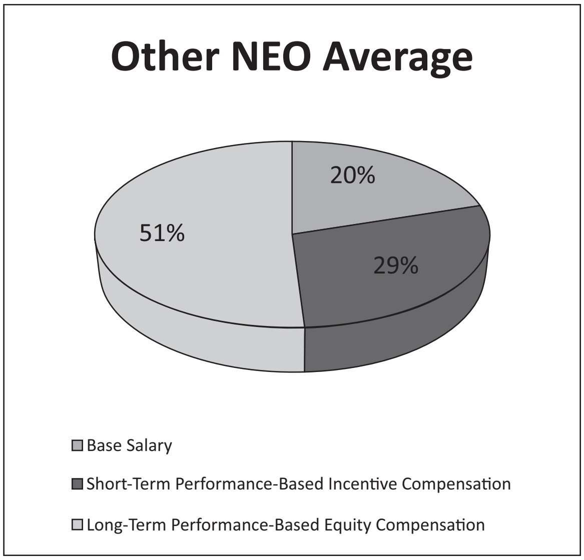
Compensation Component	**Our Principles**
Pay Level	• Attract and retain superior leaders. • Pay competitively and equitably. • Recognize depth and scope of accountability and complexity of responsibility.
Pay Mix	• Emphasize performance-contingent and equity-based compensation over fixed compensation.
Pay for Performance	• Recognize and reward enterprise, brand and individual performance. • Align executives' interests with stockholders' interests. • Require executives to own a significant amount of Common Stock. • Set Spring and Fall goals to reflect the short-cycle nature of our business and incent goal achievement. • Create long term stockholder value through regular achievement of short term goals. • Retain and incent high-performers through long term equity incentive awards.

Connecting Performance and Pay

Our challenging incentive goals require superior performance, including significant growth in operating income year over year to achieve target pay. When our NEOs hit and exceed these goals, we compensate them accordingly.

To achieve pay for performance, we employ a pay mix philosophy that places greater emphasis on performance-based and equity compensation over base salary, as shown by the lower percentage of base salary compared to performance-based pay at target for 2013 in these charts:





To assess whether the Company’s compensation program delivers pay for performance as designed, the Committee’s independent compensation consultant, Towers Watson, analyzed our performance-based long term equity and short term cash compensation for our NEOs across four key measures (operating income, earnings per share, total stockholder return and return on invested capital) relative to our peer group.

The analysis found that our NEO compensation is aligned with performance and appropriate based on the competitive market, achievement of performance goals and total returns delivered to our stockholders.

Benchmarking Compensation

We periodically compare our NEO compensation with publicly available data on executive compensation.

We define our peer group, with the help of Towers Watson, to generally include:

- Specialty and department store retailers;
- Branded companies with emotional content;
- Businesses that are generally similar to the Company in total revenue, market capitalization, geographic location, business and/or merchandise focus; and
- Retailers that compete with the Company for executive talent.

We review our peer group annually, and in our review we determined this list of peers remains appropriate and no changes were made in 2013:

Abercrombie & Fitch Co.
Aeropostale, Inc.
American Eagle Outfitters, Inc.
ANN INC.
Avon Products, Inc.
Coach, Inc.
DSW, Inc.
The Estee Lauder Companies Inc.
The Gap, Inc.
J. C. Penney Company, Inc.
Kohl’s Corporation
Macy’s, Inc.
NIKE, Inc.
Nordstrom, Inc.
Ralph Lauren Corporation
Starbucks Corporation
Target Corporation
The TJX Companies, Inc.
Williams-Sonoma, Inc.

Stock Ownership Guidelines

The Compensation Committee encourages NEO Common Stock ownership through stock ownership guidelines which promote a long term focus, discourage inappropriate risk-taking and align the interests of our NEOs with those of our stockholders. Stock ownership guidelines can be met through direct or beneficial ownership of Common Stock, including Common Stock held under our stock and retirement plans.

Our CEO is required to maintain ownership of Common Stock with a value of five times his base salary. As the beneficial owner of 16.8% of Common Stock, Mr. Wexner's ownership far exceeds this minimum requirement.

Other NEOs are required to maintain beneficial ownership of Common Stock with a value of three times his or her base salary. All of these NEOs have beneficial ownership in excess of this guideline as of the end of fiscal 2013.

Members of our Board of Directors must maintain ownership of at least the number of shares of Common Stock received as Board compensation over the previous four years. All members of our Board are in compliance with this policy or are on track to meet this requirement within four years of membership on the Board.

Compensation Governance

Compensation Committee

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

As part of its self-evaluation process, the Compensation Committee considers prevailing best practices and compliance with the highest governance standards. During fiscal 2013, the Compensation Committee also continued to engage with the full Board of Directors to maximize its effectiveness. The role of the Compensation Committee and information about its meetings are set forth in this proxy statement.

The Compensation Committee participated in the preparation of this CD&A and recommended to the Board that it be included in this proxy statement.

The Compensation Committee's charter is available on our website at *www.lb.com*.

Committee Meetings and Delegation

Company management, including the Executive Vice President of Human Resources and the Senior Vice President of Total Rewards, generally prepare materials for and attend Compensation Committee meetings, along with the Corporate Secretary who records the minutes of the meeting, the General Counsel and the Chief Financial Officer. Management, including the CEO, do not play a role in recommending CEO compensation. The Compensation Committee regularly meets in executive session without management present.

The Compensation Committee may delegate its authority to subcommittees or the Chair of the Compensation Committee. In accordance with its charter, the Compensation Committee has delegated to our Executive Vice President of Human Resources the authority to make stock awards in accordance with the Company's stock incentive plan with a value up to $400,000 in any year to any associate who is not a Section 16 officer of the Company or a senior leadership team member.

Independent Compensation Consultant

As permitted by its charter, the Compensation Committee retained Towers Watson as its independent executive compensation consultant and has the sole authority to retain and terminate any independent executive compensation consultant.

The Compensation Committee, considering recommendations from our management team, determines the work to be performed by the consultant. The consultant works with management to gather data required in preparing analyses for Compensation Committee review. Specifically, the services the consultant provides include:

- Assisting in evaluation of CEO and NEO compensation;
- Informing the Compensation Committee of changing market practices;
- Consulting on our executive compensation strategy and program design;
- Analyzing alignment of pay and performance;
- Selecting our peer group; and
- Assisting preparation and review of this disclosure.

Towers Watson did not provide additional services to the Company exceeding $120,000 during the fiscal year.

The Compensation Committee periodically evaluates the performance and independence of Towers Watson, specifically considering independence factors identified by the Commission. This evaluation includes a review of written representations from Towers Watson confirming their independence. Based on its evaluation, the Compensation Committee believes that there are no conflicts of interest that could impair Towers Watson's ability to provide independent, objective advice to the Compensation Committee regarding executive compensation matters.

Tax Deductibility

The Compensation Committee seeks to structure tax-efficient executive compensation. The 2011 Cash Incentive Compensation Performance Plan ("2011 ICPP") and the 2011 Stock Option and Performance Incentive Plan ("2011 Plan") are intended to qualify short term cash incentive payments and long term equity incentive compensation for tax deductibility under Section 162(m) of the Internal Revenue Code ("Code"). To maintain flexibility in structuring executive compensation, the Compensation Committee has not adopted a policy requiring all compensation to be tax deductible.

Recovery of Compensation

Under the 2011 ICPP and the 2011 Plan, the Compensation Committee has the power and authority to recover previously awarded bonuses or equity-based compensation or profits in the event of a restatement of financial or other performance results or if it is determined that a participant of either plan has engaged in, has knowledge of, or should have had knowledge of fraudulent conduct or activities relating to the Company.

Tally Sheets

To assess the reasonableness of the compensation of our NEOs, the Compensation Committee annually reviews a three-year history of all of the components of the NEOs' compensation, including salary, short term incentive compensation, realized and unrealized gains on stock options and RSUs, the cost to the Company of all perquisites, benefits earned and accrued under the Company's non-qualified deferred compensation plan and supplemental executive retirement plan, and potential payouts under several potential severance and change-in-control scenarios. Based on this review, the Compensation Committee concluded that compensation components individually and in aggregate are reasonable and in the best interests of the Company and its stockholders.

Compensation for NEOs

The Compensation Committee makes all decisions regarding compensation for Mr. Wexner. The Compensation Committee oversees the evaluation process and compensation structure for the other NEOs and approves all NEO stock awards.

Accomplishments Considered

2013 NEO compensation was determined considering the following fiscal 2012 accomplishments:

- Significantly improved adjusted operating income and adjusted operating income rate driven primarily by the increase in net sales and related expense leverage.
- Increased sales and operating income for our major brands:
  - At Victoria's Secret, sales increased by 7% and operating income increased by 10%; and
  - At Bath & Body Works, sales increased by 9% and operating income increased by 18%.
- Managed inventory levels, increasing inventory per selling square foot by 4% while increasing comparable store sales by 6%.
- Generated cash flow from operations of $1.351 billion.
- Continued international expansion of our brands.
- Continued La Senza repositioning, including re-sizing of its store fleet and relocation of its home office from Montreal, Canada to Columbus, Ohio.

Compensation Components

The three principal elements of our executive compensation programs are base salary, short term performance-based cash incentive compensation and long term performance-based equity incentive compensation. Other elements of compensation that may be paid to NEOs include retirement and other post-employment benefits and perquisites.

Base Salary

The following factors are considered in determining base salary adjustments:

- Scope and responsibility of the NEO's position;
- Achievement of seasonal and annual business goals;
- Level of overall compensation paid by competitors for comparable positions; and
- Recruitment and development of leadership talent.

For the fifth straight year no change was made to the base salary for Mr. Wexner. Each of the other NEOs received base salary increases:

	2013 Base Salary ($)	2012 Base Salary ($)	% Increase
Mr. Wexner	1,924,000	1,924,000	0.0%
Ms. Turney	1,442,000	1,400,000	3.0%
Mr. McGuigan	978,500	950,000	3.0%
Mr. Coe	925,000	825,000	12.1%
Mr. Burgdoerfer	824,000	800,000	3.0%

Short Term Performance-Based Cash Incentive Compensation

This program focuses on achievement of six-month goals, reflecting the seasonal nature of our business. Our operations consist of two principal selling seasons: Spring (the first and second quarters) and Fall (the third and fourth quarters). Fall, including the holiday season, is weighted more heavily because of its importance to our profitability. Achievement of our short term goals season after season creates long term value for our stockholders.

Short term performance-based cash incentive compensation targets are set at a percentage of base salary with the amount earned ranging from zero to double the target incentive, based on the extent to which financial goals are achieved or exceeded.

In 2013, target percentages for Mr. McGuigan and Mr. Coe were increased considering their accomplishments in fiscal 2012:

	Fiscal 2013 Target	Fiscal 2012 Target
Mr. Wexner	190%	190%
Ms. Turney	180%	180%
Mr. McGuigan	130%	125%
Mr. Coe	130%	110%
Mr. Burgdoerfer	125%	125%

The pre-established objective fiscal 2013 financial goals were based on operating income, subject to adjustment for extraordinary items pursuant to the 2011 ICPP and approved by the Compensation Committee. Operating income is used because it is a performance measure over which executives can have significant impact and is also directly linked to the Company's long-range growth plan and to performance that drives stockholder value.

The Compensation Committee sets operating income goals at the beginning of each six-month season based on:

- An analysis of historical performance;
- Income goals for that brand;
- Financial results of other comparable businesses; and
- Progress toward achieving our strategic plan.

NEO	Short Term Performance Incentive Goal Weighting and Metric
Mr. Wexner Mr. Burgdoerfer Mr. McGuigan	80% weighted average of major brand performance: 65% Victoria's Secret operating income 25% Bath & Body Works operating income 10% Mast Global and International operating income 20% total L Brands operating income
Ms. Turney	100% Victoria's Secret operating income
Mr. Coe	100% Bath & Body Works operating income

In fiscal 2013, the Compensation Committee set goals that challenged our NEOs to achieve outstanding performance in an uncertain economic environment and provided incentive to grow sales while maximizing margins and managing expenses. These goals represented significant growth in operating income over the record setting results we achieved in fiscal 2012. The table below shows the operating income goals required to earn short term performance-based incentive compensation at target and actual performance by season:

	Fiscal 2013 Spring Season		Fiscal 2013 Fall Season	
	Operating Income Goal	Actual Performance[1]	Operating Income Goal	Actual Performance[1]
Total L Brands	$680 million	$669 million	$1,167 million	$1,074 million
Victoria's Secret	575 million	539 million	681 million	614 million
Bath & Body Works	160 million	175 million	480 million	444 million
Mast Global[2]	63 million	91 million	85 million	102 million

[1] Actual performance presents operating income on an adjusted basis which removes certain special items (subject to approval by the Compensation Committee) which are not indicative of Company ongoing operations due to their non-recurring and extraordinary nature. The Company uses adjusted financial information as key performance measures of results for purposes of evaluating performance internally, which may not correspond to amounts reported externally.

[2] Mast Global operating income represents an internal performance measure which does not correspond to amounts reported externally.

Performance goals required to earn threshold payout range from approximately 85% to 90% of the operating income ("OI") goal and performance goals required to earn maximum payout range from approximately 110% to 120% of the OI goal. Performance below threshold results in no payout and performance between threshold and the OI goal, and the OI goal and maximum is interpolated to determine payout percentage beginning at 20% at threshold up to 200% at maximum.

Payouts for fiscal 2013 performance are set forth below and in the "Non-Equity Incentive Plan Compensation" column of the 2013 Summary Compensation Table.

Total Fiscal 2013 Incentive Payout

	Fiscal 2013 Target Incentive	Fiscal 2013 Spring Incentive Payout	Fiscal 2013 Fall Incentive Payout	Total Fiscal 2013 Payout	% of Fiscal 2013 Target
Mr. Wexner	$3,655,600	$1,593,842	$1,245,828	$2,839,670	78%
Ms. Turney	2,595,600	764,145	663,435	1,427,580	55%
Mr. McGuigan	1,272,050	554,614	433,514	988,128	78%
Mr. Coe	1,202,500	870,610	360,029	1,230,639	102%
Mr. Burgdoerfer	1,030,000	449,080	351,024	800,104	78%

Payments are made in cash, unless the executive elects to defer or receive a portion in the form of Common Stock. Those who choose to receive up to 25% of this compensation as stock receive a matching RSU grant of 25% of the amount the executive elected to receive in Common Stock (i.e., a match of up to 6.25%). These RSUs vest in full at the end of three years, subject to continued employment.

Long Term Performance-Based Equity Incentive Compensation

Stock awards are made to our NEOs under our 2011 Plan. Our equity-based long term performance-based incentive program rewards past performance and encourages future performance with a challenging performance requirement for our NEOs. In addition, the vesting requirements increase the likelihood that we will be able to retain top performers.

Individual performance (including contribution to the achievement of business goals, execution of retail fundamentals and accomplishment of talent and cultural objectives), competitive practice, the Company's overall budget for equity compensation expense and stockholder dilution are all considered in determining the size of each NEO's fiscal 2013 equity award.

Stock Options

Stock options generally make up 25% of the value of each executive's annual equity-based long term incentive opportunity award. Stock options are intended to align executive interests with stockholder interests by creating a direct link between compensation and stockholder return, and to foster retention. Stock options granted to each NEO vest over five years, subject to continued employment. The exercise price is equal to the grant date closing price of Common Stock.

Performance-Based RSUs

Performance-based RSUs generally make up 75% of the value of each executive's annual equity-based long term incentive opportunity. Performance-based RSUs are intended to:

- Incent achievement of key performance metrics (through the performance requirement);
- Align executive rewards with those realized by stockholders (through the market value of our stock);
- Retain superior executive talent (through the time vesting requirements); and
- Reward exceptional individual performance (through annual determination of the size of the award).

In fiscal 2013, the Compensation Committee approved special, performance-based RSU awards to Mr. McGuigan and Mr. Coe based on their performance, evaluation of the retentive value of unvested, outstanding stock awards and the criticality of each executive's role in the achievement of our aggressive sales, operating income and earnings per share growth goals.

Below is a summary of the special and annual performance-based RSU awards and stock options awarded in fiscal 2013:

	Value of Special Performance-Based RSU Award	**Value of Annual Performance-Based RSU Award**	**Value of Annual Stock Option Award**	**Total Fiscal 2013 Equity Award Value**
Mr. Wexner	$ —	$7,509,032	$2,256,513	$9,765,545
Ms. Turney	—	3,342,816	775,527	4,118,343
Mr. McGuigan	1,728,261	1,327,453	300,715	3,356,429
Mr. Coe	4,084,406	1,225,322	284,272	5,594,000
Mr. Burgdoerfer	—	1,091,541	253,235	1,344,776

Note: While the performance requirement is the same, the amount and timing of Mr. Wexner's equity award is determined on a different basis than that of our other NEOs and is described in detail below.

In order for both annual and special performance-based RSUs to be earned, the Company's cumulative adjusted operating income, as a percentage of cumulative sales, must be in the top one-third of the S&P Retailing Index (also determined on a cumulative and adjusted basis) beginning with the fiscal year of the award through the fiscal year immediately preceding each vest date. To the extent any tranche of the award that is eligible for performance-based vesting does not vest in any fiscal year, such tranche may vest in future years, subject to satisfaction of the cumulative performance measure. A cumulative performance metric was selected because it requires sustained performance over the entire five-year vesting period reflecting long term performance of the Company.

Performance-based RSUs vest over five years, with 20% vesting on each of the second and third anniversaries of the grant date, and 30% on each of the fourth and fifth anniversaries, in each case subject to the performance measures being satisfied and continued employment.

Time-vested RSUs typically vest after three years. Time-vested RSUs are generally only awarded to NEOs as a match on his or her election to receive a portion of his or her short term performance-based incentive compensation in Common Stock, rather than cash.

Equity awards are effective the date the grant is approved unless approval occurs before the hire or other relevant effective date, in which case, the later date applies.

Retirement and Other Post-Employment Benefits

Retirement and other post-employment benefits consist of qualified and non-qualified defined contribution retirement plan benefits and termination benefits.

Qualified Defined Contribution Retirement Plan

The qualified plan is available to associates who meet certain age and service requirements. Associates can contribute up to the amounts allowable under the Code. The Company matches associates' contributions according to a predetermined formula and contributes additional amounts based on a percentage of the associates' eligible annual compensation and years of service. Associates' contributions and Company matching contributions to the qualified plan vest immediately. Additional Company contributions and the related investment earnings are subject to vesting based on years of service.

Non-Qualified Defined Contribution Supplemental Retirement Plan

The non-qualified plan is available to associates who meet certain age, service, job level and compensation requirements. The non-qualified plan is an unfunded plan which provides benefits beyond the Code limits for qualified defined contribution plans. The Company does not set aside assets to fund liabilities of the non-qualified plan. Assets that may be used to satisfy such liabilities are general assets of the Company, subject to the claims of the Company's creditors.

Associates can contribute to the non-qualified plan up to a maximum percentage of eligible compensation. The Company matches associates' contributions and contributes additional amounts based on a percentage of the associates' eligible compensation and years of service. Company contributions to the non-qualified plan are taxable for Medicare and certain local taxes. In fiscal 2013, the Company provided a reimbursement payment to all plan participants to offset this liability for the last time. Payments were not grossed up and are taxable to the participant. The value of this benefit is disclosed in footnote (6) to the 2013 Summary Compensation Table. No such reimbursement will be provided in 2014 or thereafter.

The plan also permits participating associates to defer additional compensation up to a maximum amount which the Company does not match.

Associates' accounts are credited with interest using a rate determined annually based on the long term Applicable Federal Rate published by the Internal Revenue Service ("IRS"). In general, the rate is set at what is considered "above market" as defined by Commission guidelines. An above-market rate is appropriate because unfunded associate contributions to the plan reduce the borrowing needs of the Company.

Associates' contributions to the non-qualified plan and the related interest accruals vest immediately. Company contributions and credits to the non-qualified plan and the related interest are subject to vesting based on years of service.

Termination Benefits: Severance and Change in Control Agreements

We have entered into severance and change in control agreements with our NEOs other than Mr. Wexner. See "—Estimated Post-Employment Payments and Benefits" for a description of estimated benefits in certain termination situations, including a change in control.

Upon a change in control, awards granted prior to May 2011 will become vested. Awards granted after May 2011 will only vest if the executive's employment is terminated by the executive for good reason or by the Company other than for cause within 24 months of the change in control. This "double trigger" vesting provision applies to a significant majority of unvested stock awards.

None of our NEOs is entitled to a tax gross-up upon a change in control. It is the Company's policy not to enter into any new arrangements providing for change in control excise tax gross-up payments.

Perquisites

We provide our NEOs with minimal perquisites that the Compensation Committee has determined are reasonable and in the best interests of the Company and its stockholders. These perquisites include the reimbursement of financial planning costs of up to $15,000 and payment of life insurance policy premiums for Ms. Turney.

CEO Compensation

Overview of CEO Pay

Mr. Wexner is a recognized unique talent: an innovator and leader in the retail industry. His long record of success in leading the Company is unmatched in scope and duration by any other retailer. The Compensation Committee has determined that his significant contributions as the Company's CEO deserve to be fully reflected in his compensation.

While the Company achieved increases in sales, operating income and adjusted earnings per share in fiscal 2013 over fiscal 2012, Mr. Wexner's compensation decreased because of the high performance expectations of our fiscal 2013 long term and short term performance-based incentive programs.

CEO Stock Award Determination Overview

Beginning with fiscal 2010, the Compensation Committee implemented an annual process in which Mr. Wexner's stock grant would be a "split grant" delivered in two parts—one in March at the same time other senior executives receive stock grants, and one in the following January when Mr. Wexner's and Company performance can be substantially determined for the fiscal year.

March 2013 Award

The value of the March stock award is set below the competitive market to provide a baseline award while imposing a performance requirement for the award to be earned. The Compensation Committee granted Mr. Wexner a stock award in March 2013 with a reported value of $2.6 million.

January 2014 Award

As the fiscal year draws to a close, the Compensation Committee assesses both Mr. Wexner's and the Company's performance, and if deemed appropriate, grants Mr. Wexner a performance-based stock award in January. The January stock award is intended to recognize financial, strategic and operational performance for the fiscal year.

For fiscal 2013, the Compensation Committee increased the potential target and maximum value of the January stock award in recognition of the Company's performance over the past several years under Mr. Wexner's leadership during the financial crisis, recession, and the currently volatile retail environment. The

Compensation Committee also considered Mr. Wexner's role in the delivery of high total shareholder return, which has increased at a much more rapid rate than his compensation. The January stock award value ranges from zero at minimum, to $6.5 million at target and $16.2 million at maximum.

The range in values for the January award is determined based on a benchmark of stock award values of CEOs in our peer group:

- The top of the range has been strategically positioned so that if all qualitative, objective and financial performance targets for the year are exceeded, Mr. Wexner's stock award value would be among the top of our peer group.
- Conversely, if performance is below targeted levels, Mr. Wexner's stock award value would be correspondingly lower.

In addition to performance against pre-established financial targets, the Compensation Committee considers factors such as leadership talent development, the identification and development of new business opportunities, and success in fostering a productive culture, in determining the size of Mr. Wexner's January stock grant. Once the size of the grant is determined, the Compensation Committee imposes a performance metric that the Company must achieve over the vesting period in order for Mr. Wexner to vest in the award.

In January 2014, the Compensation Committee granted Mr. Wexner a fiscal 2013 stock award with a reported value of $7.2 million based on his compensation relative to other NEOs, as well as the performance of the Company and his role and leadership in its accomplishments for the current fiscal year, including:

- Maximizing the profitability of our core brands through increased sales, increased merchandise margins and careful inventory management;
- Progress toward the goal of doubling the business in five years;
- Focus on fundamentals, faster execution and expense leverage;
- Expansion of company owned operations outside the United States;
- Accomplishment of talent and cultural objectives;
- Implementation of infrastructure and systems to enhance productivity and enable future growth; and
- Optimization of capital structure.

Both the March and January awards are delivered 75% in the form of performance-based RSUs and 25% in the form of stock options. Mr. Wexner's RSU awards are subject to the same rigorous performance and vesting requirement as those of our other NEOs. The performance-based RSUs and stock options vest over five years, with 20% vesting on each of the second and third anniversaries of the grant date, and 30% on each of the fourth and fifth anniversaries.

CEO Termination Benefits

Due to his unique role as the founder of the Company, Mr. Wexner is not covered by a severance or change in control agreement. However, consistent with the treatment for all stock plan participants under the terms of our 2011 Plan, all of Mr. Wexner's unvested stock options and RSUs will vest upon death. Subject to the achievement of pre-established performance conditions, upon retirement, RSUs will vest pro-rata based on the fraction of whole months worked from the grant date over the full vesting period (i.e., one-fifth will vest if twelve full months are completed from the grant date for a grant that would otherwise vest over five years). In the event of a change in control, awards granted before May 2011 will vest and awards granted under the 2011 Plan will vest if Mr. Wexner's employment is terminated other than for cause within 24 months of the change in control. As of April 1, 2014 approximately 75% of Mr. Wexner's unvested stock awards are subject to double trigger vesting upon a change in control. All of Mr. Wexner's unvested stock awards will be subject to double trigger vesting as of April 1, 2016.

CEO Perquisites

The Board of Directors has approved a security program (the “Security Program”) that provides security services to Mr. Wexner and his family. The Security Program is required for the benefit of the Company and is appropriate given the risks associated with Mr. Wexner’s position. We periodically hire a third party to review our Security Program to verify that a bona fide business oriented security concern exists and that the Security Program costs are reasonable and consistent with these concerns. The Security Program requires Mr. Wexner to use corporate provided aircraft, or private aircraft that is in compliance with the Security Program, whether the purpose of the travel is business or personal.

The cost of security services which are not business related have been reimbursed to the Company by Mr. Wexner. In addition, to the extent that corporate provided aircraft is used by Mr. Wexner or any NEO for personal purposes, he or she has reimbursed the Company based on the greater of the amount established by the IRS as reasonable for personal use or the aggregate incremental cost associated with the personal use of the corporate owned aircraft as determined by an independent, third party aircraft costing service.

Conclusion

In summary, fiscal 2013 was a year of sustained financial and operational performance and returns to stockholders. Our sales and earnings were at record level for the third straight year. Our total shareholder return was 13% and our stock price rose 11%. While the Company achieved solid performance for fiscal 2013, it did not meet our high performance expectations. As a result, compensation generally decreased for NEOs, demonstrating our commitment to delivering pay for performance.

Based on the above, we recommend stockholders vote “FOR” the executive compensation program.

2013 Summary Compensation Table

The following table sets forth information concerning total compensation earned by or paid to our CEO, Chief Financial Officer and our three other most highly compensated NEOs during the fiscal year ended February 1, 2014.

Name and Principal Position	Year	Salary ($)	Bonus ($)(1)	Stock Awards ($)(2)(3)	Option Awards ($)(2)(3)	Non-Equity Incentive Plan Compensation ($)(4)	Change in Pension Value and Non-qualified Deferred Compensation Earnings ($)(5)	All Other Compensation ($)(6)	Total ($) (1)(2)(3) (4)(5)(6)
Leslie H. Wexner	2013	$1,924,000	$0	$ 7,509,032	$2,256,513	$2,839,670	$410,405	$936,302	$15,875,922
Chairman of the Board, CEO	2012	1,924,000	0	8,605,824	2,681,763	4,970,885	372,927	677,571	19,232,970
	2011	1,924,000	0	8,822,133	2,596,103	4,899,158	339,918	649,172	19,230,484
Sharen J. Turney	2013	1,433,923	0	3,342,816	775,527	1,427,580	235,835	578,653	7,794,334
CEO/President, Victoria's	2012	1,380,769	0	19,721,938	1,161,964	2,428,272	207,645	717,109	25,617,697
Secret	2011	1,290,385	0	3,266,112	1,075,458	3,051,568	181,168	730,224	9,594,915
Charles C. McGuigan	2013	973,019	0	3,055,714	300,715	988,128	57,036	385,589	5,760,201
CEO/President, Mast Global	2012	940,385	0	4,375,812	450,553	1,752,988	45,755	387,911	7,953,404
	2011	891,923	0	2,027,810	638,175	1,800,018	31,624	347,252	5,736,802
Nicholas Coe(7)	2013	905,769	0	5,309,728	284,272	1,230,639	4,111	227,160	7,961,679
CEO/President, Bath & Body Works	2012	820,192	0	2,064,235	195,622	1,679,420	748	54,516	4,814,733
Stuart B. Burgdoerfer	2013	819,385	0	1,091,541	253,235	800,104	33,226	295,408	3,292,899
Executive Vice President,	2012	790,385	0	3,093,531	379,407	1,359,800	25,621	312,913	5,961,657
Chief Financial Officer	2011	745,192	0	1,076,722	354,534	1,238,760	18,119	313,011	3,746,338

(1) Performance-based incentive compensation bonuses are disclosed in this table under the Non-Equity Incentive Plan Compensation column. None of our NEOs received a nonperformance-based award in fiscal 2013.

(2) The value of stock and option awards reflects the aggregate grant date fair value, excluding estimated forfeitures, computed in accordance with Accounting Standards Codification ("ASC") Topic 718 Compensation—Stock Compensation, for each award. Stock options are valued using the Black-Scholes option pricing model. See Note 19 to the Company's financial statements filed in the Company's 2013 Annual Report on Form 10-K for the related assumptions for stock options granted during fiscal 2013, 2012 and 2011 and for a discussion of our assumptions in determining the aggregate grant date fair value of these awards. Awards vest over time and, therefore, are not realizable on an annual basis, nor is the ultimate value determinable without reference to future performance.

(3) Stock and option awards were granted to each NEO under the Company's amended and restated 1993 Stock Option and Performance Incentive Plan (the "1993 Plan") and the 2011 Plan. Awards are long term compensation, vesting over periods from three to five years and are not realizable on an annual basis.

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

	Paid in Cash ($)	Paid in Stock ($)	Deferred Cash ($)	Deferred Stock ($)	Total ($)
Mr. Wexner	$2,754,480	$ 0	$ 85,190	$0	$2,839,670
Ms. Turney	1,097,266	0	330,314	0	1,427,580
Mr. McGuigan	822,911	135,574	29,643	0	988,128
Mr. Coe	1,190,971	0	39,668	0	1,230,639
Mr. Burgdoerfer	771,993	0	28,111	0	800,104

(5) The Company does not sponsor a defined benefit retirement plan (tax-qualified or non-qualified). For fiscal 2013, the amounts shown represent the amount by which earnings, at a rate equivalent to 4.84% compounded monthly on each NEO's non-qualified deferred compensation account balance, exceeds 120% of the applicable federal long term rate.

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

	Financial planning services provided to executive ($)	Life insurance premiums and related tax paid on executive's behalf ($)	Cash payout of fractional shares due to special dividend stock award adjustment ($)	Company contributions to the executive's qualified and non-qualified retirement plan account ($)(a)	Total ($)
Mr. Wexner	$ 0	$ 0	$309	$935,993	$936,302
Ms. Turney	9,500	14,871	230	554,052	578,653
Mr. McGuigan	5,295	0	293	380,001	385,589
Mr. Coe	0	0	72	227,088	227,160
Mr. Burgdoerfer	9,500	0	273	285,635	295,408

(a) Includes payment to offset Medicare and certain local taxes on the Company's contributions to the non-qualified retirement plan account in the amount of $42,032, $22,493, $15,345, $7,662 and $12,268 for Mr. Wexner, Ms. Turney and Messrs. McGuigan, Coe and Burgdoerfer, respectively. These payments are fully taxable to the NEO and are not grossed-up. 2013 was the last year for this benefit. No such reimbursement will be provided in 2014 or thereafter.

(7) Mr. Coe was not a NEO for fiscal 2011, and therefore, his compensation is not disclosed for that year.

Grants of Plan-Based Awards for Fiscal 2013

The following table provides information relating to plan-based awards and opportunities granted to the NEOs during the fiscal year ended February 1, 2014.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards(2)			All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
Name	**Grant Date**	**Threshold ($)**	**Target ($)**	**Maximum ($)**	**Threshold (#)**	**Target (#)**	**Maximum (#)**	**(#)(3)**	**(#)(4)**	**($/Sh)**	**($)(5)**
Leslie H. Wexner	3/29/2013								51,697	$44.66	$ 573,320
	3/29/2013					51,697					2,038,930
	1/30/2014								116,459	52.66	1,683,193
	1/30/2014					116,459					5,470,102
		$731,120	$3,655,600	$7,311,200							
Sharen J. Turney	3/29/2013								84,757	44.66	775,527
	3/29/2013					84,757					3,342,816
		519,120	2,595,600	5,191,200							
Charles C. McGuigan	3/29/2013								32,865	44.66	300,715
	3/29/2013					32,865					1,296,196
	3/29/2013					43,820					1,728,261
	8/30/2013							586			31,257
		254,410	1,272,050	2.544,100							
Nicholas Coe	3/29/2013								31,068	44.66	284,272
	3/29/2013					31,068					1,225,322
	3/29/2013					103,560					4,084,406
		240,500	1,202,500	2,405,000							
Stuart B. Burgdoerfer	3/29/2013								27,676	44.66	253,235
	3/29/2013					27,676					1,091,541
		206,000	1,030,000	2,060,000							

(1) Non-Equity Incentive Plan Awards represent the Threshold, Target and Maximum opportunities under the 2011 ICPP for the 2013 Spring and Fall seasons. The actual amount earned under this plan is disclosed in the 2013 Summary Compensation Table in the "Non-Equity Incentive Plan Compensation" column.

(2) Equity Incentive Plan Awards represent the Target payment of performance-based RSUs for fiscal 2013. No amount is disclosed for Threshold and Maximum since the number of performance-based RSUs earned does not fluctuate based on performance. Units are earned at target, or not at all.

Stock Awards granted on March 29, 2013 are subject to the Company's achievement of operating income as a percentage of sales ranking in the top one third of the S&P Retailing Index in each of fiscal 2013, 2014, 2015, 2016 and 2017, determined on a cumulative basis. Stock Awards granted to Mr. Wexner on January 30, 2014 are subject to the Company's achievement of operating income as a percentage of sales ranking in the top one third of the S&P Retailing Index in each of fiscal 2014, 2015, 2016, 2017 and 2018, determined on a cumulative basis. If the performance condition is met, the RSUs will vest 20% on the second and third anniversaries of the grant date and 30% on the fourth and fifth anniversaries of the grant date, subject to continued employment.

(3) Stock Awards were granted pursuant to the Company's amended and restated 2011 Plan.

The Stock Award granted on August 30, 2013 to Mr. McGuigan represents an award made in connection with his election to receive a portion of his cash-based incentive compensation bonus in shares of Common Stock. The award was made based on the Spring 2013 bonus paid on August 30, 2013. This award vests 100% three years from the grant date, dependent on Mr. McGuigan retaining the stock paid in lieu of cash.

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

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

(4) Option Awards were granted pursuant to the Company's amended and restated 2011 Plan. Option grant dates were established on the date the grants were approved by the Compensation Committee and the exercise price is the closing price of Common Stock on the grant date.

Option Awards vest 20% on the second and third anniversaries of the grant date and 30% on the fourth and fifth anniversaries of the grant date.

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

(5) The value of stock and option awards reflects the grant date fair value under ASC Topic 718 Compensation—Stock Compensation for each award. Options are valued using the Black-Scholes option pricing model with the following weighted average assumptions as set forth in the Company's financial statements filed in the Company's 2013 Annual Report on Form 10-K: dividend yield of 3.4%, volatility of 35%, risk free interest rate of 0.8% and expected life of 4.7 years. RSUs are valued based on the fair market value of a share of Common Stock on the date of grant, adjusted for anticipated dividend yields.

Outstanding Equity Awards at Fiscal Year-End for Fiscal 2013

The following table provides information relating to outstanding equity awards granted to the NEOs as of fiscal year end, February 1, 2014.

	Option Awards						Restricted Stock Awards				
Name	Grant Date	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Grant Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)(23)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(23)
Leslie H. Wexner	3/31/2005	438,131	0	0	18.30	3/31/2015					
	3/31/2006	109,530	0	0	18.42	3/31/2016					
	3/30/2007	141,395	0	0	19.63	3/30/2017					
	3/31/2008	224,072	0	0	12.88	3/31/2018					
	3/31/2009	360,620	0	0	6.55	3/31/2019					
	3/31/2010	119,692	0	0	19.29	3/31/2020					
	1/27/2011	114,485	171,733(1)	0	25.21	1/27/2021					
	3/31/2011	54,613	27,309(2)	0	28.18	3/31/2021					
	1/26/2012	37,890	151,569(3)	0	38.08	1/26/2022					
	3/30/2012	0	52,113(4)	0	44.30	3/30/2022					
	1/31/2013	0	151,500(5)	0	48.02	1/31/2023					
	3/29/2013	0	51,697(6)	0	44.66	3/29/2023					
	1/30/2014	0	116,459(7)	0	52.66	1/30/2024					
							1/27/2011	171,727(9)	8,991,626	0	0
							3/31/2011	81,922(10)	4,289,436	0	0
							1/26/2012	0	0	189,459(11)	9,920,073
							3/30/2012	0	0	52,113(12)	2,728,637
							1/31/2013	0	0	151,500(13)	7,932,540
							3/29/2013	0	0	51,697(14)	2,706,855
							1/30/2014	0	0	116,459(15)	6,097,793
Sharen J. Turney	3/31/2008	16,163	0	0	12.88	3/31/2018					
	3/31/2009	3	0	0	6.55	3/31/2019					
	3/31/2010	5,181	0	0	19.29	3/31/2020					
	3/31/2011	0	96,869(8)	0	28.18	3/31/2021					
	3/30/2012	0	82,950(4)	0	44.30	3/30/2022					
	3/29/2013	0	84,757(6)	0	44.66	3/29/2023					
							3/31/2008	531,064(16)	27,806,511	0	0
							3/31/2011	96,871(17)	5,072,166	0	0
							3/30/2012	0	0	82,952(12)	4,343,367
							3/30/2012	0	0	406,295(12)	21,273,606
							3/29/2013	0	0	84,757(14)	4,437,877
Charles C. McGuigan . . .	3/31/2011	0	57,485(8)	0	28.18	3/31/2021					
	3/30/2012	0	32,164(4)	0	44.30	3/30/2022					
	3/29/2013	0	32,865(6)	0	44.66	3/29/2023					
							3/4/2011	1,876(18)	98,227	0	0
							3/31/2011	57,486(17)	3,009,967	0	0
							9/2/2011	1,267(19)	66,340	0	0
							3/2/2012	1,350(20)	70,686	0	0
							3/30/2012	0	0	32,164(12)	1,684,107
							3/30/2012	0	0	75,051(12)	3,929,670
							3/29/2013	0	0	32,865(14)	1,720,811
							3/29/2013	0	0	43,820(14)	2,294,415
							8/30/2013	586(21)	30,683	0	0

	Option Awards						Restricted Stock Awards				
Name	Grant Date	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Grant Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)(23)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(23)
Nicholas Coe	3/30/2012	0	13,965(4)	0	44.30	3/30/2022					
	3/29/2013	0	31,068(6)	0	44.66	3/29/2023					
							7/4/2011	23,338(22)	1,221,978	0	0
							3/30/2012	0	0	13,966(12)	731,260
							3/30/2012	0	0	37,242(12)	1,949,991
							3/29/2013	0	0	31,068(14)	1,626,720
							3/29/2013	0	0	103,560(14)	5,422,402
Stuart B. Burgdoerfer	3/31/2011	0	31,935(8)	0	28.18	3/31/2021					
	3/30/2012	0	27,085(4)	0	44.30	3/30/2022					
	3/29/2013	0	27,676(6)	0	44.66	3/29/2023					
							3/31/2011	31,936(17)	1,672,169	0	0
							3/30/2012	0	0	27,085(12)	1,418,171
							3/30/2012	0	0	49,657(12)	2,600,041
							3/29/2013	0	0	27,676(14)	1,449,115

(1) Options vest 50% on January 27, 2015 and 50% on January 27, 2016.

(2) Options vest 100% on March 31, 2014.

(3) Options vest 25% on January 26, 2015, 37.5% on January 26, 2016 and 37.5% on January 26, 2017.

(4) Options vest 20% on March 30, 2014, 20% on March 30, 2015, 30% on March 30, 2016 and 30% on March 30, 2017.

(5) Options vest 20% on January 31, 2015, 20% on January 31, 2016, 30% on January 31, 2017 and 30% on January 31, 2018.

(6) Options vest 20% on March 29, 2015, 20% on March 29, 2016, 30% on March 29, 2017 and 30% on March 29, 2018.

(7) Options vest 20% on January 30, 2016, 20% on January 30, 2017, 30% on January 30, 2018 and 30% on January 30, 2019.

(8) Options vest 25% on March 31, 2014, 37.5% on March 31, 2015 and 37.5% on March 31, 2016.

(9) Shares vest 50% on January 27, 2015 and 50% on January 27, 2016.

(10) Shares vest 100% on March 31, 2014.

(11) 20% of the shares vested on January 26, 2014, subject to achievement of a performance condition. Remaining shares vest 20% on January 26, 2015, 30% on January 26, 2016 and 30% on January 26, 2017, also subject to achievement of a performance condition.

(12) Subject to achievement of a performance condition, shares vest 20% on March 30, 2014, 20% on March 30, 2015, 30% on March 30, 2016 and 30% on March 30, 2017.

(13) Subject to achievement of a performance condition, shares vest 20% on January 31, 2015, 20% on January 31, 2016, 30% on January 31, 2017 and 30% on January 31, 2018.

(14) Subject to achievement of a performance condition, shares vest 20% on March 29, 2015, 20% on March 29, 2016, 30% on March 29, 2017 and 30% on March 29, 2018.

(15) Subject to achievement of a performance condition, shares vest 20% on January 30, 2016, 20% on January 30, 2017, 30% on January 30, 2018 and 30% on January 30, 2019.

(16) Shares vest 50% on March 31, 2014 and 50% on March 31, 2015.

(17) Shares vest 25% on March 31, 2014, 37.5% on March 31, 2015 and 37.5% on March 31, 2016.

(18) Shares vest 100% on March 4, 2014.

(19) Shares vest 100% on September 2, 2014.

(20) Shares vest 100% on March 2, 2015.

(21) Shares vest 100% on August 30, 2016.

(22) Shares vest 25% on July 4, 2014, 37.5% on July 4, 2015 and 37.5% on July 4, 2016.

(23) Market value based on the $52.36 fair market value of a share of Common Stock on the last trading day of the fiscal year (January 31, 2014).

Option Exercises and Stock Vested Information for Fiscal 2013

The following table provides information relating to Option Awards exercised and RSU Awards vested during the fiscal year ended February 1, 2014.

	Option Awards		Restricted Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)(1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)(2)
Leslie H. Wexner	503,770	$19,510,105	176,933	$ 8,362,045
Sharen J. Turney	139,854	5,638,862	338,347	15,110,577
Charles McGuigan	18,253	520,710	27,724	1,259,659
Nicholas Coe	0	0	5,831	286,885
Stuart B. Burgdoerfer	76,799	2,795,606	38,822	1,735,356

(1) Option Award Value Realized is calculated based on the difference between (a) the sale price and the option exercise price for shares that were sold upon exercise and (b) the closing price on the day prior to the date of exercise and the option exercise price for shares that were held upon exercise.

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

Retirement and Other Post-Employment Benefits

Non-qualified Deferred Compensation for Fiscal 2013(1)

Name	Executive Contributions in Last Fiscal Year ($)(2)	Registrant Contributions in Last Fiscal Year ($)(3)	Aggregate Earnings in Last Fiscal Year ($)(4)	Aggregate Withdrawals/ Distributions ($)(5)	Aggregate Balance at Last Fiscal Year End ($)(6)
Leslie H. Wexner	$178,886	$878,365	$993,180	$0	$21,855,368
Sharen J. Turney	530,003	505,763	662,593	0	16,877,186
Charles C. McGuigan	64,426	338,860	138,028	0	3,125,683
Nicholas Coe	74,013	197,529	9,949	0	357,820
Stuart B. Burgdoerfer	52,507	247,571	80,407	0	1,847,186

(1) Amounts disclosed include non-qualified cash deferrals, Company matching contributions, retirement credits and earnings under the Company's Supplemental Retirement Plan (a non-qualified defined contribution plan) and stock deferrals and related reinvested dividend earnings under the 1993 Plan and 2011 Plan. Executive Contributions and related matching Registrant Contributions represent 2013 calendar year deferrals and matches on incentive compensation payments earned based on performance for the Fall 2012 season, which was paid in March 2013, and for the Spring 2013 season, which was paid in August 2013.

(2) All of the contributions are reported in the 2013 Summary Compensation Table under the "Salary" and/or "Non-Equity Incentive Plan Compensation" columns.

(3) Reflects the Company's 200% match of associate contributions of up to 3% of base salary and bonus above the IRS qualified plan maximum compensation limit and the Company's retirement contribution of 6% for less than 5 years of service or 8% for 5 or more years of service of compensation above the IRS qualified plan maximum compensation limit. Associates become fully vested in these contributions after six years of service. These contributions are also included under the "All Other Compensation" column of the 2013 Summary Compensation Table.

(4) Non-qualified deferred cash compensation balances earn a fixed rate of interest determined prior to the beginning of each year. For fiscal 2013, the rate was 4.84%. The portion of the earnings on deferred cash compensation that exceeds 120% of the applicable federal long term rate in the amount of $410,405, $235,835, $57,036, $4,111 and $33,226 for Mr. Wexner, Ms. Turney and Messrs. McGuigan, Coe and Burgdoerfer, respectively, is disclosed in the "Change in Pension Value and Non-qualified Deferred Compensation Earnings" column of the 2013 Summary Compensation Table.

Amount includes dividends earned on deferred stock and RSU balances in the amount of $91,873 for Ms. Turney. Dividends are reinvested into additional stock units based on the closing market price of Common Stock on the dividend payment date.

(5) Participants may elect to receive the funds in a lump sum or in up to ten annual installments following termination of employment, but generally may not make withdrawals during their employment. Deferrals under the Supplemental Retirement Plan, the 1993 Plan and the 2011 Plan are unfunded.

(6) Balance includes the value of deferred stock and RSUs at calendar year-end in the amount of $4,062,102 for Ms. Turney. Value is calculated based on a stock price of $52.36 per share of Common Stock on January 31, 2014.

Estimated Post-Employment Payments and Benefits

We have entered into certain agreements with our NEOs that will require us to provide compensation in the event of a termination of employment, including a termination following a change in control of our Company. Mr. Wexner is not covered by such an agreement but is entitled to certain termination compensation under the terms of our benefit and stock plans. The following tables set forth the expected benefits to be received by each

NEO in the event of his or her termination resulting from various scenarios, assuming a termination date of February 1, 2014 and a stock price of $52.36, the price of our Common Stock on January 31, 2014. Each scenario relates to the single termination event described and amounts are not cumulative in situations where multiple scenarios may apply.

Assumptions and explanations of the numbers set forth in the tables below are set forth in additional text following the tables.[1]

Leslie H. Wexner

		Involuntary w/out Cause or Voluntary w/Good Reason					
	Voluntary Resignation ($)	w/out Release ($)	& Signed Release ($)	Involuntary w/out Cause following Change in Control ($)	Death ($)	Disability ($)	Retirement ($)
Base Salary	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Bonus(2)	0	0	0	0	0	0	0
Gain of Accelerated Stock Options(3)	0	0	0	8,962,785	8,962,785	8,962,785	0
Value of Pro-rated or Accelerated RSUs(3)	0	0	15,253,463	42,666,960	42,666,960	42,666,960	15,253,463
Benefits and Perquisites(4)	0	0	0	0	2,000,000	706,000	0
Tax Gross-Up	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	$ 0	$ 0	$15,253,463	$51,629,745	$53,629,745	$52,335,745	$15,253,463

Sharen J. Turney

		Involuntary w/out Cause or Voluntary w/Good Reason					
	Voluntary Resignation ($)	w/out Release ($)	& Signed Release ($)	Involuntary w/out Cause following Change in Control ($)	Death ($)	Disability ($)	Retirement ($)
Base Salary	$ 0	$1,442,000	$ 2,884,000	$ 2,884,000	$ 0	$ 0	$ 0
Bonus(2)	0	0	2,595,600	3,855,852	0	0	0
Gain of Accelerated Stock Options(3)	0	0	0	3,663,071	3,663,071	3,663,071	0
Value of Pro-rated or Accelerated RSUs(3)	0	0	23,907,105	62,933,526	62,933,526	62,933,526	23,907,105
Benefits and Perquisites(4)	7,086	19,605	25,865	25,865	5,000,000	1,452,216	7,086
Tax Gross-Up	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	$7,086	$1,461,605	$29,412,570	$73,362,314	$71,596,597	$68,048,813	$23,914,191

Charles C. McGuigan

		Involuntary w/out Cause or Voluntary w/Good Reason					
	Voluntary Resignation ($)	w/out Release ($)	& Signed Release ($)	Involuntary w/out Cause following Change in Control ($)	Death ($)	Disability ($)	Retirement ($)
Base Salary	$ 0	$978,500	$1,957,000	$ 1,957,000	$ 0	$ 0	$ 0
Bonus(2)	0	0	1,272,050	2,741,116	0	0	0
Gain of Accelerated Stock Options(3)	0	0	0	1,902,082	1,902,082	1,902,082	0
Value of Pro-rated or Accelerated RSUs(3)	0	0	4,305,668	12,904,907	12,904,907	12,904,907	4,305,668
Benefits and Perquisites(4)	0	10,449	15,673	15,673	2,935,500	562,237	0
Tax Gross-Up	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	$ 0	$988,949	$7,550,391	$19,520,778	$17,742,489	$15,369,226	$4,305,668

Nicholas Coe

		Involuntary w/out Cause or Voluntary w/Good Reason					
	Voluntary Resignation ($)	w/out Release ($)	& Signed Release ($)	Involuntary w/out Cause following Change in Control ($)	Death ($)	Disability ($)	Retirement ($)
Base Salary	$ 0	$925,000	$1,850,000	$ 1,850,000	$ 0	$ 0	$ 0
Bonus(2)	0	0	1,202,500	2,910,058	0	0	0
Gain of Accelerated Stock Options(3)	0	0	0	351,744	351,744	351,744	0
Value of Pro-rated or Accelerated RSUs(3)	0	0	2,641,771	10,952,351	10,952,351	10,952,351	0
Benefits and Perquisites(4)	0	11,953	17,929	17,929	2,011,507	710,746	0
Tax Gross-Up	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	$ 0	$936,953	$5,712,200	$16,082,082	$13,315,602	$12,014,841	$ 0

Stuart B. Burgdoerfer

		Involuntary w/out Cause or Voluntary w/Good Reason					
	Voluntary Resignation ($)	w/out Release ($)	& Signed Release ($)	Involuntary w/out Cause following Change in Control ($)	Death ($)	Disability ($)	Retirement ($)
Base Salary	$ 0	$824,000	$1,648,000	$ 1,648,000	$ 0	$ 0	$ 0
Bonus(2)	0	0	1,030,000	2,159,904	0	0	0
Gain of Accelerated Stock Options(3)	0	0	0	1,203,458	1,203,458	1,203,458	0
Value of Pro-rated or Accelerated RSUs(3)	0	0	2,481,393	7,139,495	7,139,495	7,139,495	0
Benefits and Perquisites(4)	0	12,262	18,393	18,393	1,648,000	434,066	0
Tax Gross-Up	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	$ 0	$836,262	$5,177,786	$12,169,250	$9,990,953	$8,777,019	$ 0

[1] Assumes a termination date of February 1, 2014.

[2] Bonus amounts assumed at target. Under "Involuntary w/out Cause or Voluntary w/Good Reason" termination scenarios, actual bonus payments would be equal to the bonus payment the NEO would have received if he or she had remained employed with the Company for a period of one year after the termination date of February 1, 2014. Under an "Involuntary w/out Cause following Change in Control," bonus payments for Ms. Turney and Messrs. McGuigan, Coe and Burgdoerfer will be equal to the sum of the last four seasonal bonus payments received.

[3] Reflects the value of unvested RSUs and stock options that, subject to achievement of pre-established performance conditions, would become vested based on the $52.36 fair market value of a share of Common Stock on the last trading day of the fiscal year (January 31, 2014).

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

Assumptions and Explanations of Numbers in Tables

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

The tables do not include the payment of the aggregate balance of the NEO's non-qualified deferred compensation that is disclosed in the Non-qualified Deferred Compensation for fiscal 2013 table above.

Confidentiality, Non-Competition and Non-Solicitation Agreements

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

Termination Provisions—Definitions of Cause and Good Reason

The employment agreements for all NEOs other than Mr. Wexner, who does not have an employment agreement, contain customary definitions of cause and good reason. "Cause" generally means that the NEO (1) willfully failed to perform his or her duties with the Company (other than a failure resulting from the NEO's incapacity due to physical or mental illness); (2) has plead "guilty" or "no contest" to or has been convicted of an act which is defined as a felony under federal or state law; or (3) engaged in willful misconduct in bad faith which could reasonably be expected to materially harm the Company's business or its reputation.

"Good Reason" generally means (1) the failure to continue by the NEO in a capacity originally contemplated in the NEO's employment agreement; (2) the assignment to the NEO of any duties materially inconsistent with the NEO's position, duties, authority, responsibilities or reporting requirements, as set out in his or her employment agreement; (3) a reduction in or a material delay in payment of the NEO's total cash compensation and benefits from those required to be provided; (4) the requirement that the NEO be based outside of the United States, other than for travel that is reasonably required to carry out the NEO's duties; or (5) the failure by the Company to obtain the assumption in writing of its obligation to perform the employment agreement by a successor.

Payments Upon a Termination in Connection with a Change in Control

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

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

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

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

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

No Tax Gross-up

In the event of a termination following a Change in Control, none of our NEOs is entitled to reimbursement or gross-up for any excise taxes that may be imposed under Section 280G of the Code.

Fiscal 2013 Director Compensation

The following table sets forth compensation earned by the individuals who served as directors of the Company during fiscal 2013(1).

Name	Fees Earned or Paid in Cash ($)(2)	Stock Awards ($)(3)	Total ($)
E. Gordon Gee	$100,000	$100,038	$200,038
Dennis S. Hersch	100,000	100,038	200,038
James L. Heskett	38,530	0	38,530
Donna A. James	142,500	122,502	265,002
David T. Kollat	135,508	125,003	260,511
William R. Loomis, Jr.	100,000	100,038	200,038
Jeffrey H. Miro	112,500	112,543	225,043
Michael G. Morris	102,500	102,539	205,039
Allan R. Tessler	167,500	147,512	315,012
Abigail S. Wexner	120,000	110,042	230,042
Raymond Zimmerman	112,500	112,543	225,043

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

(2) Directors receive an annual cash retainer of $90,000; directors receive an additional annual cash retainer of $12,500 for membership on the Audit and Compensation Committees and $10,000 for all other committee memberships; the Audit Committee Chair receives an additional $20,000; the Compensation Committee Chair receives an additional $15,000; and other committee chairs receive $10,000; the lead independent director receives an additional cash retainer of $15,000.

(3) Directors receive an annual stock retainer worth $90,000; directors receive an additional annual stock grant worth $12,500 for membership on the Audit and Compensation Committees and worth $10,000 for other committee memberships; the lead independent director receives an additional stock retainer of $15,000. Stock retainers were granted under the 2003 Stock Award and Deferred Compensation Plan for Non-Associate Directors. The number of shares issued is calculated based on the fair market value of Common Stock on the date the shares were issued. The value of stock awards reflects the aggregate grant date fair value, excluding estimated forfeitures, computed in accordance with ASC, Topic 718 Compensation-Stock Compensation, for each award. See Note 19 to the Company's financial statements filed in the Company's 2013 Annual Report on Form 10-K for a discussion of our assumptions in determining the aggregate grant date fair value of these awards.

Equity Compensation Plan Information

The following table summarizes share and exercise price information about the Company's equity compensation plans as of February 1, 2014.

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plan (excluding securities reflected in column (a))
Equity compensation plans approved by security holders(1)	14,386,829	$29.14(2)	13,921,656
Equity compensation plans not approved by security holders	0	0	0
Total	14,386,829	$29.14	13,921,656

(1) Includes the 2011 Plan and the 1993 Plan (2009 Restatement).

(2) Does not include outstanding rights to receive Common Stock upon the vesting of RSU awards or settlement of deferred stock units.

REPORT OF THE COMPENSATION COMMITTEE

The Compensation Committee of the Company’s Board of Directors is composed of three directors who are independent, as defined under the rules of the Commission and NYSE listing standards. Additionally, each member of the Compensation Committee is an “outside director” within the meaning of Section 162(m) of the Code and a “non-employee director” with the meaning of Section 16b-3 under the Exchange Act. The Compensation Committee reviews the CD&A on behalf of the Board of Directors.

The Compensation Committee has reviewed and discussed the CD&A with management, and based on the review and discussions, the Compensation Committee recommended to the Board of Directors that the CD&A be included in the Company’s annual report on Form 10-K for the year ended February 1, 2014 and the Company’s proxy statement.

Compensation Committee

David T. Kollat, Chair
Jeffrey H. Miro
Michael G. Morris

SECURITY OWNERSHIP OF DIRECTORS AND MANAGEMENT

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

Name of Beneficial Owner	Number of Shares of Common Stock Beneficially Owned(a)(b)	Percent of Class
Stuart B. Burgdoerfer	81,286(c)	*
Nicholas Coe	2,790	*
E. Gordon Gee	4,765(d)	*
Dennis S. Hersch	10,311,852(d)(f)	3.55%
Donna A. James	48,471(d)	*
David T. Kollat	113,680	*
William R. Loomis, Jr.	80,246(d)	*
Charles McGuigan.	42,542(c)	*
Jeffrey H. Miro	89,147(d)	*
Michael G. Morris	12,057(d)	*
Stephen D. Steinour	0	*
Allan R. Tessler	80,650	*
Sharen J. Turney	685,094(c)(e)	*
Abigail S. Wexner	13,729,390(g)	4.72%
Leslie H. Wexner	48,834,454(c)(h)(i)	16.79%
Raymond Zimmerman	123,281(d)(j)	*
All directors and executive officers as a group	50,465,344(c)-(j)	17.35%

* Less than 1%.

(a) Unless otherwise indicated, each named person has voting and investment power over the listed shares and such voting and investment power is exercised solely by the named person or shared with a spouse. None of the listed shares have been pledged as security or otherwise deposited as collateral.

(b) Reflects beneficial ownership of shares of Common Stock, and shares outstanding, as of February 1, 2014.

(c) Includes the following number of shares issuable within 60 days of February 1, 2014, upon the exercise or vesting of outstanding stock awards: Mr. Burgdoerfer, 21,378; Mr. McGuigan, 37,049; Ms. Turney, 351,897; Mr. Wexner, 1,720,080; and all directors and executive officers as a group, 2,193,882.

(d) Includes the following number of deferred stock units credited to directors' accounts under the 2003 Stock Award and Deferred Compensation Plan for Non-Associate Directors that could be convertible into Common Stock within 60 days after termination from the Board: Dr. Gee, 3,809; Mr. Hersch, 59,711; Ms. James, 27,812; Mr. Loomis, 75,682; Mr. Miro, 68,608; Mr. Morris, 1,947; Mr. Zimmerman, 81,800; and all directors as a group, 319,369. Mr. Morris has elected to receive pay-out of his deferred stock units over three years, and his total represents 1/3 of the units which he would be owed upon his termination from the Board.

(e) Includes the following number of deferred stock units credited to executives' accounts under the Company's Supplemental Retirement Plan that could be convertible into Common Stock within 60 days after termination of employment with the Company: Ms. Turney, 77,580; and all executives as a group, 97,755.

(f) Includes 1,257,255 shares held by The Linden East Trust, for which Mr. Hersch is trustee and shares voting and investment power with Mr. Wexner and Mrs. Wexner, and 8,992,886 shares held by The Linden West Trust, for which Mr. Hersch is trustee and shares voting and investment power with Mr. Wexner.

(g) Excludes 35,105,064 shares beneficially owned by Mr. Wexner as to which Mrs. Wexner disclaims beneficial ownership. Includes 1,257,255 shares held by The Linden East Trust, as to which Mrs. Wexner shares voting and investment power with Mr. Hersch; 478,115 shares held by The Wexner Children's Trust II; 1,741,741 shares held by The Wexner Family Charitable Fund; and 191,515 shares held by The Beech Trust, in each case, as to which Mrs. Wexner shares voting and investment power with Mr. Wexner. Includes 10,060,764 shares directly owned by Mrs. Wexner.

(h) Includes 1,814,435 shares held in the Savings and Retirement Plan (as of February 1, 2014), over which Mr. Wexner has investment but not voting power.

(i) Includes 1,257,255 shares held by The Linden East Trust, 8,992,886 shares held by The Linden West Trust, 478,115 shares held by The Wexner Children's Trust II; 1,741,741 shares held by The Wexner Family Charitable Fund; and 191,515 shares held by The Beech Trust. Mr. Wexner shares voting and investment power with Mrs. Wexner with respect to shares held by The Linden East Trust, The Wexner Children's Trust II, The Wexner Family Charitable Fund and The Beech Trust, and shares voting and investment power with Mr. Hersch with respect to shares held by The Linden East Trust and The Linden West Trust. Includes 4,892,608 shares held by the Wexner Personal Holdings Corporation, of which Mr. Wexner is the sole stockholder, director and officer. Includes 10,060,764 shares directly owned by Mrs. Wexner, as to which Mr. Wexner may be deemed to share voting and investment power. Includes 17,685,055 shares directly owned by Mr. Wexner.

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

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

The Company’s executive officers and directors, and persons who own more than 10% of a registered class of the Company’s equity securities, must file reports of ownership and changes in ownership of the Company’s equity securities with the Commission. Copies of those reports must also be furnished to the Company. Based solely on a review of the copies of reports furnished to the Company and written representations of the Company’s executive officers and directors that no other reports were required, we believe that during fiscal 2013 our executive officers, directors and greater than 10% beneficial owners complied with these filing requirements, other than Mr. Burgdoerfer and Mr. Coe, who each filed one Form 4 reporting one transaction two days late, due to an inadvertent administrative error.

SHARE OWNERSHIP OF PRINCIPAL STOCKHOLDERS

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

Name and Address of Beneficial Owner	Amount Beneficially Owned	Percent of Class
Leslie H. Wexner(1) Three Limited Parkway P.O. Box 16000 Columbus, OH 43216	48,834,454	16.79%
PRIMECAP Management Company(2) 225 South Lake Ave., #400 Pasadena, CA 91101	20,131,389	6.94%
The Vanguard Group(3) 100 Vanguard Blvd. Malvern, PA 19355	16,381,996	5.64%

(1) As of February 1, 2014. For a description of Mr. Wexner's beneficial ownership, see "Security Ownership of Directors and Management" on pages 48 and 49.

(2) As of December 31, 2013, based on information set forth in the Schedule 13G/A filed February 14, 2014 by PRIMECAP Management Company. PRIMECAP Management Company has sole dispositive power over 20,131,839 shares and sole voting power over 7,637,467 shares.

(3) As of December 31, 2013, based on information set forth in the Schedule 13G filed February 11, 2014 by The Vanguard Group Inc. The Vanguard Group has sole dispositive power over 16,011,264 shares and sole voting power over 399,527 shares, and has shared dispositive power over 370,732 shares.

REPORT OF THE AUDIT COMMITTEE

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

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

We have reviewed and discussed the Company's audited financial statements as of and for the year ended February 1, 2014 and met with both management and our independent auditors to discuss the financial statements. Management has represented to us that the financial statements were prepared in accordance with generally accepted accounting principles. We have reviewed with the internal auditors and independent auditors the overall scope and plans for their respective audits. We also met with the internal auditors and independent auditors, with and without management present, to discuss the results of their examinations and their evaluations of the Company's internal controls.

We have also discussed with the independent auditors all matters required to be discussed with audit committees under applicable auditing and regulatory standards. The Company's independent auditors also provided to us the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditor's communications with the audit committee concerning independence, and we discussed with the independent auditors their independence from the Company. We considered whether the provision of non-audit services by the independent auditors to the Company is compatible with maintaining their independence.

Based on the reviews and discussions summarized in this Report, and subject to the limitations on our role and responsibilities, certain of which are referred to above and in the Audit Committee charter, we recommended to the Board that the Company's audited financial statements be included in our annual report on Form 10-K for the year ended February 1, 2014 for filing with the Commission.

We have appointed Ernst & Young LLP as the Company's independent registered public accountants.

Audit Committee

Donna A. James, Chair
David T. Kollat
Allan R. Tessler
Raymond Zimmerman

INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

During our 2013 fiscal year, Ernst & Young LLP served as the Company's independent registered public accountants and in that capacity rendered an opinion on our consolidated financial statements as of and for the fiscal year ended February 1, 2014. The Audit Committee annually reviews the selection of independent registered public accountants and has selected Ernst & Young LLP as the Company's independent registered public accountants for the current fiscal year.

Audit Fees

The aggregate audit fees payable to Ernst & Young LLP for the fiscal years ended 2013 and 2012 were approximately $3,863,000 and $4,174,000, respectively. These amounts include fees for professional services rendered by Ernst & Young LLP in connection with the audit of our consolidated financial statements and reviews of our unaudited consolidated interim financial statements as well as fees for services that generally only the independent auditor can reasonably be expected to provide, including comfort letters and consultation regarding financial accounting and/or reporting standards. These amounts also include fees for services rendered in connection with the audit of our internal control over financial reporting and fees for services rendered in connection with statutory audits of our international subsidiaries' financial statements.

Audit Related Fees

The aggregate fees for assurance and related services rendered by Ernst & Young LLP that were reasonably related to the audit of our consolidated financial statements for the fiscal years ended 2013 and 2012 were approximately $150,000 and $148,000, respectively. The fees under this category are for assurance and related services that are traditionally performed by the independent auditor and include audits of employee benefit plans, agreed upon procedures and other attest engagements.

Tax Fees

The aggregate fees for tax services rendered by Ernst & Young LLP for the fiscal years ended 2013 and 2012 were approximately $733,000 and $745,000, respectively. Tax fees include tax compliance and advisory services.

All Other Fees

The aggregate fees for all other services rendered by Ernst & Young LLP for both fiscal years ended 2013 and 2012 were $0.

Pre-approval Policies and Procedures

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

OTHER MATTERS

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

STOCKHOLDER PROPOSALS FOR NEXT YEAR

Stockholder Proposals Pursuant to Rule 14a-8

Proposals submitted for inclusion in the proxy statement for the 2015 annual meeting must be received by the Secretary of the Company at our principal executive offices on or before the close of business on November 26, 2014.

Other Stockholder Proposals

If a stockholder intends to present a proposal or nominate a person for election as a director at the 2015 annual meeting other than as described above, the stockholder must comply with the requirements set forth in our Bylaws. The Bylaws require, among other things, that the Secretary receive written notice of the intent to present a proposal or nomination no earlier than February 21, 2015 and no later than March 23, 2015. The notice must contain the information required by the Bylaws.

SOLICITATION EXPENSES

We are soliciting this proxy on behalf of our Board of Directors and will bear the solicitation expenses. Our directors or employees may solicit proxies by telephone, facsimile and personal solicitation, in addition to the use of the mail. We will, upon request, reimburse banks, brokerage houses and other institutions, nominees, and fiduciaries for their expenses in forwarding proxy materials to beneficial owners.

By Order of the Board of Directors,

Leslie H. Wexner
Chairman of the Board

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

FORM 10-K

(Mark One)

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

For the fiscal year ended February 1, 2014

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

L BRANDS, INC.

(Exact name of registrant as specified in its charter)

(Formerly known as Limited Brands, Inc.)

Delaware
(State or other jurisdiction of incorporation or organization)

31-1029810
(I.R.S. Employer Identification No.)

Three Limited Parkway,
Columbus, Ohio
(Address of principal executive offices)

43230
(Zip Code)

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

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

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

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

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

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

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

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

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

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

Large accelerated filer ☒ Accelerated filer □ Non-accelerated filer □

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

The aggregate market value of the registrant's Common Stock held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter was: $14,266,756,168.

Number of shares outstanding of the registrant's Common Stock as of March 14, 2014: 290,998,928.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the Registrant's 2014 Annual Meeting of Stockholders to be held on May 22, 2014, are incorporated by reference into Part II and Part III.

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PART I

ITEM 1. BUSINESS.

General

L Brands, Inc. (“we” or “the Company”) operates in the highly competitive specialty retail business. Founded in 1963 in Columbus, Ohio, we have evolved from an apparel-based specialty retailer to a segment leader focused on women’s intimate and other apparel, personal care and beauty categories that make customers feel sexy, sophisticated and forever young. We sell our merchandise through company-owned specialty retail stores in the United States (“U.S.”), Canada and the United Kingdom (“U.K.”), which are primarily mall-based, and through websites, catalogue and international franchise, license and wholesale partners.

Victoria’s Secret

Victoria’s Secret, including Victoria’s Secret PINK, is the leading specialty retailer of women’s intimate and other apparel with fashion-inspired collections, prestige fragrances, celebrated supermodels and world-famous runway shows. We sell our Victoria’s Secret products at more than 1,000 Victoria’s Secret stores in the U.S., Canada and U.K. and online at *www.VictoriasSecret.com* . Additionally, Victoria’s Secret has more than 200 stores and various small-format locations in more than 60 countries operating under franchise or wholesale arrangements.

Bath & Body Works

Bath & Body Works is one of the leading specialty retailers of home fragrance and personal care products including shower gels, lotions, soaps and sanitizers. We sell our Bath & Body Works products at more than 1,600 Bath & Body Works stores in the U.S. and Canada and online at *www.BathandBodyWorks.com* . Additionally, Bath & Body Works has more than 50 stores in 14 countries operating under franchise arrangements.

Other Brands

La Senza is a specialty retailer of women’s intimate apparel. We sell our La Senza products at more than 150 La Senza stores in Canada and online at *www.LaSenza.com* . Additionally, La Senza has more than 330 stores in 30 countries operating under franchise and licensing arrangements.

Henri Bendel sells upscale accessory products through our New York flagship and 28 other stores, as well as online at *www.HenriBendel.com* .

Acquisitions and Divestitures

Express

In July 2007, we completed the divestiture of 75% of our ownership interest in Express, Inc. (“Express”) to affiliates of Golden Gate Capital. From May 2010 through July 2011, we sold 10.4 million shares of Express common stock and contributed our remaining 7.2 million shares of common stock to The Limited Brands Foundation.

Limited Stores

In August 2007, we completed the divestiture of 75% of our ownership interest in Limited Stores to affiliates of Sun Capital. In June 2010, we completed the divestiture of our remaining 25% ownership interest in Limited Stores.

Third-party Apparel Sourcing Business

On October 31, 2011, we divested 51% of our ownership interest in our third-party apparel sourcing business to affiliates of Sycamore Partners. We continue to retain an ownership interest which we account for as an equity method investee.

Fiscal Year

Our fiscal year ends on the Saturday nearest to January 31. As used herein, "2013", "2011", "2010" and "2009" refer to the 52-week periods ending February 1, 2014, January 28, 2012, January 29, 2011 and January 30, 2010, respectively. "2012" refers to the 53-week period ending February 2, 2013.

Real Estate

Company-owned Retail Stores

Our company-owned retail stores are located in shopping malls, lifestyle centers and street locations in the U.S., Canada and U.K. As a result of our strong brand and established retail presence, we have been able to lease high-traffic locations in most retail centers in which we operate. Substantially all of our stores were profitable in 2013.

The following table provides the retail businesses and the number of our company-owned retail stores in operation for each business as of February 1, 2014 and February 2, 2013.

	February 1, 2014	February 2, 2013
Victoria's Secret Stores U.S.	1,060	1,019
Bath & Body Works U.S.	1,559	1,571
La Senza Canada	157	158
Bath & Body Works Canada	79	71
Victoria's Secret Canada	34	26
Henri Bendel	29	29
Victoria's Secret U.K.	5	2
Total	2,923	2,876

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

Fiscal Year	Beginning of Year	Opened	Closed	End of Year
2013	2,876	81	(34)	2,923
2012	2,941	48	(113)	2,876
2011	2,968	40	(67)	2,941
2010	2,971	44	(47)	2,968
2009	3,014	59	(102)	2,971

Franchise, License and Wholesale Agreements

In addition to our company-owned stores, our products are sold at hundreds of franchise and other locations throughout the world. We have franchise, license and wholesale agreements with unaffiliated partners to operate Victoria's Secret, Bath & Body Works and La Senza stores throughout the world. Under these agreements, third parties operate stores that sell our products under our brand names. We continue to increase the number of locations under these types of arrangements as part of our international expansion.

The following table provides the number of our international stores operated by our partners for each business as of February 1, 2014 and February 2, 2013.

	February 1, 2014	February 2, 2013
Victoria's Secret Beauty and Accessories	198	108
Victoria's Secret International	4	3
Bath & Body Works International	55	38
La Senza International	331	339
Total	588	488

Our Strengths

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

Industry Leading Brands

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

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

In-Store Experience and Store Operations

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

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

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

Product Development, Sourcing and Logistics

We believe a large part of our success comes from frequent and innovative product launches, which include bra launches at Victoria's Secret and La Senza and new fragrance launches at Bath & Body Works. Our merchant, design and sourcing teams have a long history of bringing innovative products to our customers. Additionally, we believe that our sourcing function (Mast Global) has a long and deep presence in the key sourcing markets including those in the U.S. and Asia, which helps us partner with the best manufacturers and get high-quality products quickly.

Experienced and Committed Management Team

We were founded in 1963 and have been led since inception by Leslie H. Wexner. Our senior management team has a wealth of retail and business experience at L Brands, Inc. and other companies such as Neiman Marcus, The Gap, Inc., The Home Depot, Land's End, Levi Strauss and Yum Brands. We believe that we have one of the most experienced management teams in retail.

Additional Information

Merchandise Suppliers

During 2013, we purchased merchandise from approximately 900 suppliers located throughout the world. No supplier provided 10% or more of our merchandise purchases.

Distribution and Merchandise Inventory

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

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

Information Systems

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

Seasonal Business

Our operations are seasonal in nature and consist of two principal selling seasons: Spring (the first and second quarters) and Fall (the third and fourth quarters). The fourth quarter, including the holiday season, accounted for approximately one-third of our net sales for 2013, 2012 and 2011 and is typically our most profitable quarter. Accordingly, cash requirements are highest in the third quarter as our inventories build in advance of the holiday season.

Working Capital

We fund our business operations through a combination of available cash and cash equivalents and cash flows generated from operations. In addition, our revolving credit facility is available for additional working capital needs and investment opportunities.

Regulation

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

Trademarks and Patents

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

Segment Information

We have two reportable segments: Victoria's Secret and Bath & Body Works. For the financial results of our reportable segments, see Note 20 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

In the first quarter of 2014, the Company will change its reportable segments. Results from company-owned Victoria's Secret and Bath & Body Works stores in Canada will be reclassified from Other into the corresponding Victoria's Secret and Bath & Body Works segments. Additionally, a new segment called Victoria's Secret and Bath & Body Works International will be created and will include the Victoria's Secret and Bath & Body Works company-owned and franchised stores outside of North America.

Other Information

For additional information about our business, including our net sales and profits for the last three years and selling square footage, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Competition

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

Associate Relations

As of February 1, 2014, we employed approximately 94,600 associates; 73,800 of whom were part-time. In addition, temporary associates are hired during peak periods, such as the holiday season.

Executive Officers of Registrant

Set forth below is certain information regarding our executive officers.

Leslie H. Wexner, 76, has been our Chairman of the Board of Directors for more than 35 years and our Chief Executive Officer since our founding in 1963.

Stuart B. Burgdoerfer, 50, has been our Executive Vice President and Chief Financial Officer since April 2007.

Nicholas P. M. Coe, 51, has been our Chief Executive Officer and President of Bath & Body Works since August 2011.

Charles C. McGuigan, 57, has been our Chief Operating Officer since May 2012 and our Chief Executive Officer and President of Mast Global since February 2011.

Jane L. Ramsey, 56, has been our Executive Vice President, Human Resources, since April 2006.

Sharen J. Turney, 57, has been our Chief Executive Officer and President of Victoria's Secret since July 2006.

Available Information

We are subject to the reporting requirements of the Exchange Act and its rules and regulations. The Exchange Act requires us to file reports, proxy statements and other information with the U.S. Securities and Exchange Commission ("SEC"). Copies of these reports, proxy statements and other information can be read and copied at:

SEC Public Reference Room
100 F Street NE
Washington, D.C. 20549

Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains a website that contains reports, proxy statements and other information regarding issuers that file electronically with the SEC. These materials may be obtained electronically by accessing the SEC's website at *www.sec.gov* . Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available, free of charge, on our website at *www.lb.com.*

Copies of any of the above-referenced documents will also be made available, free of charge, upon written request to:

L Brands, Inc.
Investor Relations Department
Three Limited Parkway, P.O. Box 16000
Columbus, Ohio 43216

ITEM 1A. RISK FACTORS.

We caution that any forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) contained in this report or made by our company or our management involve risks and uncertainties and are subject to change based on various factors, many of which are beyond our control. Accordingly, our future performance and financial results may differ materially from those expressed or implied in any such forward-looking statements. Words such as "estimate," "project," "plan," "believe," "expect," "anticipate," "intend," "planned," "potential" and any similar expressions may identify forward-looking statements. Risks associated with the following factors, among others, in some cases have affected and in the future could affect our financial performance and actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements included in this report or otherwise made by our company or our management:

- general economic conditions, consumer confidence, consumer spending patterns and market disruptions including severe weather conditions, natural disasters, health hazards, terrorist activities, financial crises, political crises or other major events, or the prospect of these events;
- the seasonality of our business;
- the dependence on a high volume of mall traffic and the availability of suitable store locations on appropriate terms;
- our ability to grow through new store openings and existing store remodels and expansions;
- our ability to successfully expand into global markets and related risks;
- our relationships with independent licensees and franchisees;
- our direct channel businesses;
- our failure to protect our reputation and our brand images;
- our failure to protect our trade names, trademarks and patents;

- the highly competitive nature of the retail industry generally and the segments in which we operate particularly;
- consumer acceptance of our products and our ability to keep up with fashion trends, develop new merchandise and launch new product lines successfully;
- our ability to source, distribute and sell goods and materials on a global basis, including risks related to:
  - political instability;
  - duties, taxes and other charges;
  - legal and regulatory matters;
  - volatility in currency exchange rates;
  - local business practices and political issues;
  - potential delays or disruptions in shipping and transportation and related pricing impacts;
  - disruption due to labor disputes; and
  - changing expectations regarding product safety due to new legislation;
- fluctuations in foreign currency exchange rates;
- stock price volatility;
- our failure to maintain our credit rating;
- our ability to service or refinance our debt;
- our ability to retain key personnel;
- our ability to attract, develop and retain qualified employees and manage labor-related costs;
- the inability of our manufacturers to deliver products in a timely manner and meet quality standards;
- fluctuations in product input costs;
- fluctuations in energy costs;
- increases in the costs of mailing, paper and printing;
- claims arising from our self-insurance;
- our ability to implement and maintain information technology systems and to protect associated data;
- our failure to maintain the security of customer, associate, supplier or company information;
- our failure to comply with regulatory requirements;
- tax matters; and
- legal and compliance matters.

We are not under any obligation and do not intend to make publicly available any update or other revisions to any of the forward-looking statements contained in this report to reflect circumstances existing after the date of this report or to reflect the occurrence of future events even if experience or future events make it clear that any expected results expressed or implied by those forward-looking statements will not be realized.

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

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

Our net sales, profit results and cash flow are sensitive to, and may be adversely affected by, general economic conditions, consumer confidence, spending patterns and weather or other market disruptions.

Our net sales, profit, cash flows and future growth may be adversely affected by negative local, regional, national or international political or economic trends or developments that reduce the consumers' ability or willingness to spend, including the effects of national and international security concerns such as war, terrorism or the threat thereof. In addition, market disruptions due to severe weather conditions, natural disasters, health hazards or other major events or the prospect of these events could also impact consumer spending and confidence levels. In particular, our operating results are impacted by factors in the U.S., Canadian and U.K. economies. Purchases of women's intimate and other apparel, beauty and personal care products and accessories often decline during periods when economic or market conditions are unsettled or weak. In such circumstances, we may increase the number of promotional sales, which could have a material adverse effect on our results of operations, financial condition and cash flows.

Extreme weather conditions in the areas in which our stores are located, particularly in markets where we have multiple stores, could adversely affect our business. For example, heavy snowfall, rainfall or other extreme weather conditions over a prolonged period might make it difficult for our customers to travel to our stores and thereby reduce our sales and profitability. Our business is also susceptible to unseasonable weather conditions. For example, extended periods of unseasonably warm temperatures during the winter season or cool weather during the summer season could render a portion of our inventory incompatible with those unseasonable conditions. Reduced sales from extreme or prolonged unseasonable weather conditions could have a material adverse effect on our results of operations, financial condition and cash flows.

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

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

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

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

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

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

These risks could have a material adverse effect on our results of operations, financial condition and cash flows.

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

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

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

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

We also have risks related to identifying suitable partners as licensees, franchisees or in a similar capacity. In addition, certain aspects of these arrangements are not directly within our control, such as the ability of these third parties to meet their projections regarding store openings and sales. We cannot ensure the profitability or success of our expansion into international markets.

In addition, our results of operations and financial condition may be adversely affected by fluctuations in currency exchange rates.

These risks could have a material adverse effect on our results of operations, financial condition and cash flows.

Our licensees, franchisees and wholesalers could take actions that could harm our business or brand images.

We have global representation through independently owned stores operated by licensees, franchisees and wholesalers (“partners”). Although we have criteria to evaluate and select prospective partners, the level of control we can exercise over our partners is limited and the quality and success of their operations may be diminished by any number of factors beyond our control. Our partners may not have the business acumen or financial resources necessary to successfully operate stores in a manner consistent with our standards and may not hire and train qualified store managers and other personnel. Our brand image and reputation may suffer materially and our sales could decline if our partners do not operate successfully. These risks could have an adverse effect on our results of operations, financial condition and cash flows.

Our direct channel businesses includes risks that could have an adverse effect on our results.

Our direct operations are subject to numerous risks that could have a material adverse effect on our results. Risks include, but are not limited to, the difficulty in recreating the in-store experience through our direct channels;

domestic or international resellers purchasing merchandise and reselling it overseas outside our control; the maintenance and security of the Internet infrastructure; the failure of and risks related to the systems that operate our websites and the related support systems, including computer viruses, theft of customer information, privacy concerns, telecommunication failures and electronic break-ins and similar disruptions; and risks related to the fulfillment of direct-to-consumer orders such as not adequately predicting customer demand or otherwise failing to maintain efficient and uninterrupted order-taking and fulfillment operations. Any of these events could have a material adverse effect on our results of operations, financial condition and cash flows.

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

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

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

We believe that our trade names, trademarks and patents are important assets and an essential element of our strategy. We have obtained or applied for federal registration of these trade names, trademarks and patents and have applied for or obtained registrations in many foreign countries. There can be no assurance that we will obtain such registrations or that the registrations we obtain will prevent the imitation of our products or infringement of our intellectual property rights by others. If any third-party copies our products or our stores in a manner that projects lesser quality or carries a negative connotation, it could have a material adverse effect on our brand image and reputation as well as our results of operations, financial condition and cash flows.

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

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

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

Increased competition could result in price reductions, increased marketing expenditures and loss of market share, any of which could have a material adverse effect on our results of operations, financial condition and cash flows.

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

Our success depends in part on management’s ability to effectively anticipate and respond to changing fashion preferences and consumer demands and to translate market trends into appropriate, saleable product offerings in advance of the actual time of sale to the customer. Customer demands and fashion trends change rapidly. If we are unable to successfully anticipate, identify or react to changing styles or trends or we misjudge the market for our products or any new product lines, our sales will be lower, potentially resulting in significant amounts of unsold finished goods inventory. In response, we may be forced to increase our marketing promotions or price markdowns. These risks could have a material adverse effect on our brand image and reputation as well as our results of operations, financial condition and cash flows.

We may be adversely impacted by our inability to adequately source, distribute and sell merchandise and other materials on a global basis.

We source merchandise and other materials directly in international markets and in our domestic market. We distribute merchandise and other materials globally to our partners in international locations and to our stores. Many of our imports and exports are subject to a variety of customs regulations and international trade arrangements, including existing or potential duties, tariffs or safeguard quotas. We compete with other companies for production facilities.

We also face a variety of other risks generally associated with doing business on a global basis, such as:

- political instability;
- imposition of duties, taxes and other charges on imports or exports;
- legal and regulatory matters;
- volatility in currency exchange rates;
- local business practice and political issues (including issues relating to compliance with domestic or international labor standards) which may result in adverse publicity or threatened or actual adverse consumer actions, including boycotts;
- potential delays or disruptions in shipping and transportation and related pricing impacts;
- disruption due to labor disputes; and
- changing expectations regarding product safety due to new legislation.

New initiatives may be proposed impacting the trading status of certain countries and may include retaliatory duties or other trade sanctions which, if enacted, could impact our trading relationships with vendors or other parties in such countries.

In addition, significant health hazards, environmental hazards or natural disasters may occur which could have a negative effect on the economies, financial markets and business activity of international markets.

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

Fluctuations in foreign currency exchange rates could adversely impact our financial condition and results of operations.

We are exposed to foreign currency exchange rate risk with respect to our sales, profits, assets, and liabilities denominated in currencies other than the U.S. dollar. Although we use foreign currency forward contracts to hedge certain foreign currency risks, these measures may not succeed in offsetting all of the short-term negative impact of foreign currency rate movements on our business and results of operations. Hedging would generally not be effective in offsetting the long-term impact of sustained shifts in foreign exchange rates on our business results. As a result, the fluctuation in the value of the U.S. dollar against other currencies could have a material adverse effect on our results of operations, financial condition and cash flows.

Our stock price may be volatile.

Our stock price may fluctuate substantially as a result of variations in our actual or projected performance or the financial performance of other companies in the retail industry. In addition, the stock market has experienced price and volume fluctuations that have affected the market price of many retail and other stocks and that have often been unrelated or disproportionate to the operating performance of these companies.

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

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

We may be unable to service or refinance our debt.

Some of our debt agreements contain covenants which require maintenance of certain financial ratios and also, under certain conditions, restrict our ability to pay dividends, repurchase common shares and make other restricted payments as defined in those agreements. Our cash flow from operations provides the primary source of funds for our debt service payments. If our cash flow from operations declines, we may be unable to service or refinance our current debt.

We may be unable to retain key personnel.

We believe we have benefited substantially from the leadership and experience of our senior executives, including Leslie H. Wexner, Chairman of the Board of Directors and Chief Executive Officer. The loss of the services of any of these individuals could have a material adverse effect on our business and prospects. Competition for key personnel in the retail industry is intense and our future success will also depend on our ability to recruit, train and retain other qualified key personnel.

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

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

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

We purchase products through contract manufacturers and importers and directly from third-party manufacturers. Factors outside our control, such as manufacturing or shipping delays or quality problems, could disrupt merchandise deliveries and result in lost sales, cancellation charges or excessive markdowns. In addition, quality problems could result in a product liability judgment or a widespread product recall that may negatively impact our sales and profitability for a period of time depending on product availability, competition reaction and consumer attitudes. Even if the product liability claim is unsuccessful or is not fully pursued, the negative publicity surrounding any assertions could adversely impact our reputation with existing and potential customers and our brand image. These risks could have a material adverse effect on our results of operations, financial condition and cash flows.

Our results may be adversely affected by fluctuations in product input costs.

Product input costs, including manufacturing labor and raw materials, fluctuate. These fluctuations may result in an increase in our production costs. We may not be able to, or may elect not to, pass these increases on to our customers which may adversely impact our profit margins. These risks could have a material adverse effect on our results of operations, financial condition and cash flows.

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

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

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

Postal rate increases and paper and printing costs will affect the cost of our order fulfillment and catalogue and promotional mailings. We rely on discounts from the basic postal rate structure, such as discounts for bulk mailings and sorting. Future paper and postal rate increases could adversely impact our earnings if we are unable to recover these costs or if we are unable to implement more efficient printing, mailing, delivery and order fulfillment systems. These risks could have a material adverse effect on our results of operations, financial condition and cash flows.

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

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

We significantly rely on our ability to implement and sustain information technology systems and to protect associated data.

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

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

Our failure to maintain the security of customer, associate, supplier or company information could have a negative impact on our reputation and our results.

Information systems are susceptible to an increasing threat of continually evolving cybersecurity risks. Any significant compromise or breach of our data security could significantly damage our reputation, cause the disclosure of confidential customer, associate, supplier or company information, cause our customers to stop shopping with us and result in significant legal, regulatory and financial liabilities and lost revenues. While we have implemented systems and processes to protect against unauthorized access to secured data and prevent data loss, there is no guarantee that these procedures are adequate to safeguard against all data security breaches. The regulatory environment related to information security, data collection and privacy is increasingly rigorous, with new and constantly changing requirements applicable to our business, and compliance with those requirements could result in additional costs. These risks could have a material adverse effect on our results of operations, financial condition and cash flows.

We may fail to comply with regulatory requirements.

We are subject to numerous regulatory requirements. Our policies, procedures and internal controls are designed to comply with all applicable foreign and domestic laws and regulations, including those required by the Sarbanes-Oxley Act of 2002, the Foreign Corrupt Practices Act, the SEC and the New York Stock Exchange (the “NYSE”). Failure to comply with such laws and regulations could have an adverse effect on our reputation, market price of our common stock, results of operations, financial condition and cash flows.

We may be adversely impacted by changes in taxation requirements.

We are subject to income tax in local, national and international jurisdictions. In addition, our products are subject to import and excise duties and/or sales or value-added taxes in many jurisdictions. The Company is also subject to the examination of its tax returns and other tax matters by the Internal Revenue Service and other tax authorities and governmental bodies. The Company regularly assesses the likelihood of an adverse outcome resulting from these examinations to determine the adequacy of its provision for taxes. There can be no assurance as to the outcome of these examinations. Fluctuations in tax rates and duties, changes in tax legislation or regulation or adverse outcomes of these examinations could have a material adverse effect on our results of operations, financial condition and cash flows.

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

We, along with our third-party business partners, are subject to complex compliance and litigation risks. Actions filed against our Company from time to time include commercial, tort, intellectual property, customer, employment, data privacy, securities, anti-corruption and other claims, including purported class action lawsuits. Difficulty can exist in complying with sometimes conflicting regulations in local, national or foreign jurisdictions as well as new or changing regulations that affect how we operate. In addition, we may be impacted by litigation trends, including class action lawsuits involving consumers and shareholders that could have a material adverse effect on our reputation, market price of our common stock, results of operations, financial condition and cash flows.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

The following table provides the location, use and size of our distribution, corporate and product development facilities as of February 1, 2014:

Location	Use	Approximate Square Footage
Columbus, Ohio	Corporate, distribution and shipping	6,388,000
New York, New York	Office, sourcing and product development/design	557,000
Montreal, Quebec, Canada	Office, distribution and shipping	160,000
Kettering, Ohio	Call center	94,000
Hong Kong	Office and sourcing	90,000
Various international locations	Office and sourcing	65,000

United States

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

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

As of February 1, 2014, we operate 2,648 retail stores located in leased facilities, primarily in malls and shopping centers, throughout the U.S. A substantial portion of these lease commitments consists of store leases generally with an initial term of 10 years. The leases expire at various dates between 2014 and 2026.

Typically, when space is leased for a retail store in a mall or shopping center, we supply all improvements, including interior walls, floors, ceilings, fixtures and decorations. The cost of improvements varies widely, depending on the design, size and location of the store. In certain cases, the landlord of the property may provide an allowance to fund all or a portion of the cost of improvements, serving as a lease incentive. Rental terms for new locations usually include a fixed minimum rent plus a percentage of sales in excess of a specified amount. We usually pay certain operating costs such as common area maintenance, utilities, insurance and taxes. For additional information, see Note 15 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

International

Canada

We lease offices and distribution and shipping facilities in the Montreal, Quebec area.

As of February 1, 2014, we operate 270 retail stores located in leased facilities, primarily in malls and shopping centers, throughout the Canadian provinces. A substantial portion of these lease commitments consists of store leases generally with an initial term of 10 years. The leases expire on various dates between 2014 and 2023.

United Kingdom

As of February 1, 2014, we operate five retail stores in the U.K. We have five additional leases in the U.K. related to stores that will open in 2014. These lease commitments consist of store leases with initial terms ranging from 10 to 33 years expiring on various dates between 2021 and 2045.

Other International

As of February 1, 2014, we also have global representation through stores operated by our partners:

- 331 La Senza stores in 30 countries;
- 55 Bath & Body Works stores in 14 countries;
- 4 Victoria's Secret stores in 2 Middle Eastern countries; and
- 198 Victoria's Secret Beauty and Accessories stores and various small-format locations in more than 60 countries.

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

ITEM 3. LEGAL PROCEEDINGS.

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

In July 2009, a complaint was filed against our Company for patent infringement in the United States District Court for the Eastern District of Texas. The complaint sought monetary damages, costs, attorneys' fees, and injunctive relief. In November 2011, a jury found in favor of the plaintiff and awarded damages of $9 million for infringement from 2007 through 2011 and the trial court awarded future royalty payments through 2015. In January 2013, we appealed the judgment against us with the Court of Appeals for the Federal Circuit. Shortly before our appeal was filed, the Federal Court of Appeals ruled in another proceeding involving a different company, that the patents asserted in our case were invalid. As a result, our appeal was stayed until the conclusion of the other proceeding. On January 14, 2014, the U.S. Supreme Court denied the plaintiff's petition to overturn the Federal Circuit's finding that their patents are invalid. In our matter, although their patents were found to be invalid, the plaintiff has decided to move forward with the appeal process. Based on the decision that the plaintiff's patents are invalid and on our other arguments, we believe the Federal Court of Appeals should grant our appeal. We intend to vigorously defend against this action.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

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

Our common stock ("LB") is traded on the New York Stock Exchange. As of February 1, 2014, there were approximately 43,000 shareholders of record. However, including active associates who participate in our stock purchase plan, associates who own shares through our sponsored retirement plans and others holding shares in broker accounts under street names, we estimate the shareholder base to be approximately 145,000.

The following table provides our quarterly market prices and cash dividends per share for 2013 and 2012:

	Market Price		Cash Dividend per Share
	High	Low	
2013			
Fourth quarter	$67.12	$51.72	$0.30
Third quarter	63.05	54.73	0.30
Second quarter	58.69	48.76	0.30
First quarter	51.27	42.49	0.30(a)
2012			
Fourth quarter	$52.50	$43.72	$3.25(b)
Third quarter	52.20	46.30	1.25(c)
Second quarter	51.84	40.32	0.25
First quarter	51.33	40.63	0.25

(a) In February 2013, our Board of Directors declared an increase in our quarterly common stock dividend from $0.25 to $0.30 per share.

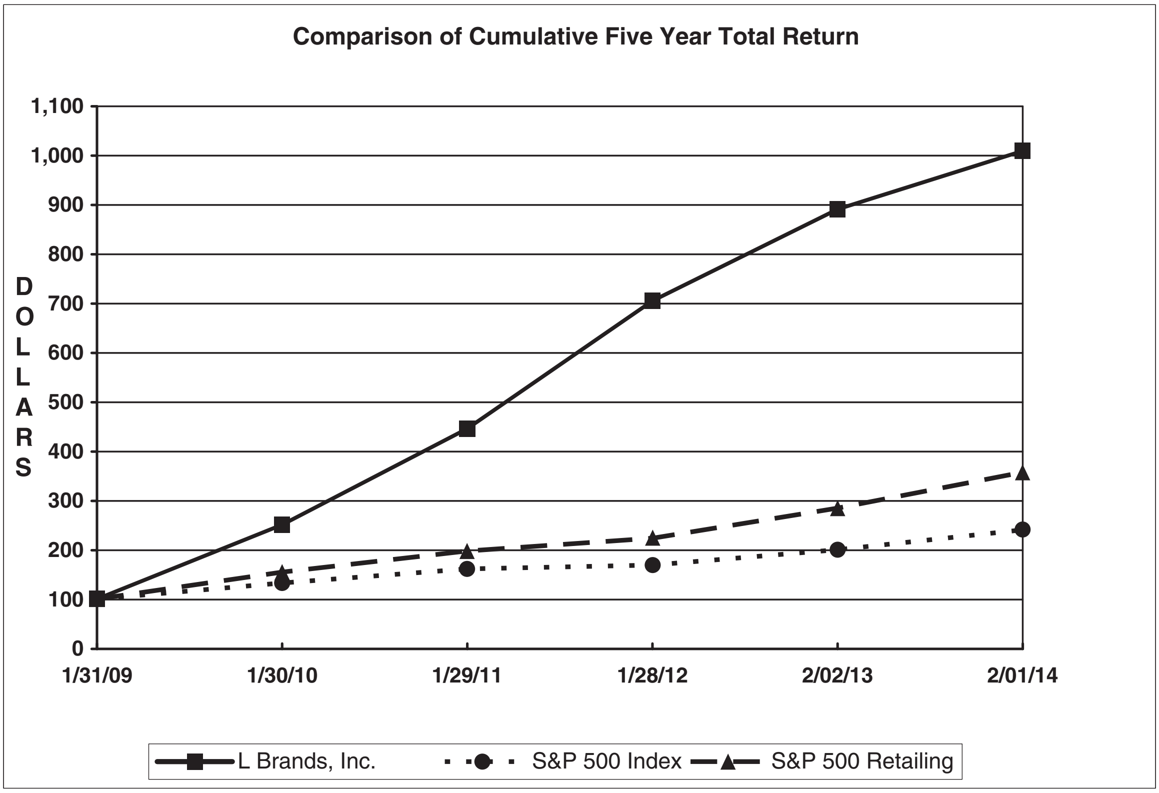
(b) In December 2012, our Board of Directors declared a special dividend of $3 per share which was distributed on December 26, 2012 to shareholders of record at the close of business on December 20, 2012.

(c) In August 2012, our Board of Directors declared a special dividend of $1 per share which was distributed on September 7, 2012 to shareholders of record at the close of business on August 23, 2012.

In February 2014, our Board of Directors declared an increase in our first quarter 2014 common stock dividend from $0.30 to $0.34 per share and a special dividend of $1 per share. Both dividends were paid on March 7, 2014 to shareholders of record at the close of business on February 21, 2014.

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

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN (a) (b) (c) (d)
AMONG L BRANDS, INC., THE S&P 500 INDEX AND THE S&P RETAIL COMPOSITE INDEX



(a) This table represents $100 invested in stock or in index at the closing price on January 31, 2009 including reinvestment of dividends.
(b) The February 2, 2013 cumulative total return includes the $1.00 and $3.00 special dividends in September 2012 and December 2012, respectively.
(c) The January 28, 2012 cumulative total return includes the $1.00 and $2.00 special dividends in May 2011 and December 2011, respectively.
(d) The January 29, 2011 cumulative total return includes the $1.00 and $3.00 special dividends in March 2010 and December 2010, respectively.

The following table provides our repurchases of our common stock during the fourth quarter of 2013:

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share (b)	Total Number of Shares Purchased as Part of Publicly Announced Programs (c)	Maximum Number of Shares (or Approximate Dollar Value) that May Yet be Purchased Under the Programs (c)
	(in thousands)			(in thousands)
November 2013	30	$63.59	—	$184,201
December 2013	3	61.48	—	184,201
January 2014	177	53.32	160	175,702
Total	210	54.92	160	

(a) The total number of shares repurchased includes shares repurchased as part of publicly announced programs, with the remainder relating to shares repurchased in connection with tax payments due upon vesting of employee restricted stock awards and the use of our stock to pay the exercise price on employee stock options.
(b) The average price paid per share includes any broker commissions.
(c) For additional share repurchase program information, see Note 18 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

ITEM 6. SELECTED FINANCIAL DATA.

	Fiscal Year Ended				
	February 1, 2014	February 2, 2013 (a)	January 28, 2012	January 29, 2011	January 30, 2010
			(in millions)		
Summary of Operations					
Net Sales	$ 10,773	$ 10,459	$ 10,364	$ 9,613	$ 8,632
Gross Profit	4,429	4,386	4,057	3,631	3,028
Operating Income (b)	1,743	1,573	1,238	1,284	868
Net Income (c)	903	753	850	805	448
			(as a percentage of net sales)		
Gross Profit	41.1%	41.9%	39.1%	37.8%	35.1%
Operating Income	16.2%	15.0%	11.9%	13.4%	10.1%
Net Income	8.4%	7.2%	8.2%	8.4%	5.2%
Per Share Results					
Net Income Per Basic Share	$ 3.12	$ 2.60	$ 2.80	$ 2.49	$ 1.39
Net Income Per Diluted Share	$ 3.05	$ 2.54	$ 2.70	$ 2.42	$ 1.37
Dividends per Share	$ 1.20	$ 5.00	$ 3.80	$ 4.60	$ 0.60
Weighted Average Diluted Shares Outstanding (in millions)	296	297	314	333	327
Other Financial Information			(in millions)		
Cash and Cash Equivalents	$ 1,519	$ 773	$ 935	$ 1,130	$ 1,804
Total Assets	7,198	6,019	6,108	6,451	7,173
Working Capital	1,324	667	842	1,088	1,928
Net Cash Provided by Operating Activities	1,248	1,351	1,266	1,284	1,174
Capital Expenditures	691	588	426	274	202
Long-term Debt	4,761	4,477	3,481	2,507	2,723
Other Long-term Liabilities	770	818	780	761	731
Shareholders' Equity (Deficit)	(370)	(1,015)	137	1,476	2,183
Comparable Store Sales Increase (Decrease) (d)	2%	6%	10%	9%	(4)%
Return on Average Assets	14%	12%	14%	12%	6%
Current Ratio	1.7	1.4	1.6	1.7	2.5
Stores and Associates at End of Year					
Number of Stores (e)	2,923	2,876	2,941	2,968	2,971
Selling Square Feet (in thousands) (e)	11,169	10,849	10,934	10,974	10,934
Number of Associates	94,600	99,400	97,000	96,500	92,100

(a) The fiscal year ended February 2, 2013 ("2012") represents a 53-week fiscal year.

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

(i) In 2012, a $93 million impairment charge related to goodwill and other intangible assets for our La Senza business; a $27 million impairment charge related to long-lived stores assets for our Henri Bendel business; and $14 million of expense associated with the store closure initiative at La Senza.

(ii) In 2011, a $232 million impairment charge related to goodwill and other intangible assets for our La Senza business; a $111 million gain related to the divestiture of 51% of our third-party apparel sourcing business; $163 million of expense related to the charitable contribution of our remaining shares of Express to The Limited Brands Foundation; and $24 million of restructuring expenses at La Senza.

(iii) In 2009, a $9 million pre-tax gain, $14 million net of related tax benefits, associated with the reversal of an accrued contractual liability as a result of the divestiture of a joint venture.

For additional information on 2012 and 2011 items, see the Notes to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

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

(i) In 2012, a $13 million gain related to $13 million in cash distributions from certain of our investments in Easton, a 1,300 acre planned community in Columbus, Ohio that integrates office, hotel, retail, residential and recreational space.

(ii) In 2011, a $147 million gain related to the charitable contribution of our remaining shares of Express to the Limited Brands Foundation; an $86 million gain related to the sale of Express common stock; and $56 million of favorable income tax benefits related to certain discrete tax matters.

(iii) In 2010, a $52 million gain related to the initial public offering of Express including the sale of a portion of our shares; a $49 million pre-tax gain related to a $57 million cash distribution from Express; a $45 million pre-tax gain related to the sale of Express stock; a $25 million pre-tax loss associated with the early retirement of portions of our 2012 and 2014 notes; a $20 million pre-tax gain associated with the sale of our remaining 25% ownership interest in Limited Stores; and a $7 million pre-tax gain related to a dividend payment from Express.

(iv) In 2009, $23 million of favorable income tax benefits in the fourth quarter primarily related to the reorganization of certain foreign subsidiaries and $9 million of favorable income tax benefits in the third quarter primarily due to the resolution of certain tax matters.

For additional information on 2012 and 2011 items, see the Notes to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

The effect of the items described in (b) and (c) above increased (decreased) earnings per share by $(0.38) in 2012, $0.10 in 2011, $0.36 in 2010 and $0.14 in 2009.

(d) The percentage change in comparable store sales represents the change in sales at comparable stores only and excludes the change in sales from our direct channels. A store is typically included in the calculation of comparable store sales when it has been open or owned 12 months or more and it has not had a change in selling square footage of 20% or more. Additionally, stores of a given brand are excluded if total selling square footage for the brand in the mall changes by 20% or more through the opening or closing of a second store. The percentage change in comparable store sales are calculated on a comparable calendar period. Therefore, the percentage change in comparable store sales for 2013, 2011, 2010 and 2009 were calculated on a 52 to 52 week basis and the percentage change in comparable store sales for 2012 was calculated on a 53 to 53 week basis.

(e) Number of stores and selling square feet excludes independently owned La Senza, Bath & Body Works and Victoria's Secret stores operated by licensees and franchisees.

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

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

Our operating results are generally impacted by changes in the U.S. and Canadian economies and, therefore, we monitor the retail environment using, among other things, certain key industry performance indicators such as the University of Michigan Consumer Sentiment Index (which measures consumers' views on the future course of the U.S. economy), the National Retail Traffic Index (which measures traffic levels in malls nationwide) and National Retail Sales (which reflects sales volumes of 5,000 businesses as measured by the U.S. Census Bureau). These indices provide insight into consumer spending patterns and shopping behavior in the current retail environment and assist us in assessing our performance as well as the potential impact of industry trends on our future operating results. Additionally, we evaluate a number of key performance indicators including comparable store sales, gross profit, operating income and other performance metrics such as sales per average selling square foot and inventory per selling square foot in assessing our performance.

Executive Overview

Strategy

We have a multi-year goal to grow our business and increase operating margins for our brands by focusing on these key priorities:

- Grow our business in North America;
- Extend our core brands internationally;
- Focus on the fundamentals of our business including managing inventory, expenses and capital with discipline;
- Become the top destination for talent;
- Maintain a strong cash and liquidity position while optimizing our capital structure; and
- Return value to our shareholders.

The following is a discussion of certain of our key priorities:

Grow our business in North America

Our overriding focus is on the substantial growth opportunity in North America.

The core of Victoria's Secret is bras and panties. We see clear opportunities for substantial growth in these categories by focusing on product newness and innovation and expanding into under-penetrated market and price segments. We also have an opportunity to expand to accommodate the full Lingerie and PINK assortment to all of our stores. In 2014, we plan to increase our square footage at Victoria's Secret by about 5% through expansions of existing stores and the opening of approximately 50 new stores. In our direct channel, we have the infrastructure in place to support growth well into the future. We believe our direct channel is an important form of brand advertising given the ubiquitous nature of the internet and our large customer file.

The core of Bath & Body Works is its home fragrance and personal care product lines including shower gels, lotions, soaps and sanitizers which together make up the majority of sales and profits for the business. We see clear opportunities for substantial growth in these categories by focusing on product newness and innovation and expanding into under-penetrated market and price segments. Additionally, *www.BathandBodyWorks.com* continues to exhibit significant year-over-year growth.

Additionally, in Canada we have opened 79 Bath & Body Works stores, 24 Victoria's Secret full assortment stores and 10 Victoria's Secret PINK stores since 2008. Based on the success we have experienced in Canada, we plan to open an additional 10 Bath & Body Works stores and 7 Victoria's Secret stores in Canada in 2014.

Extend our core brands internationally

We believe there is substantial opportunity for international growth. We have separate, dedicated teams that have taken a methodical, "test and learn" approach to expansion. We began our international expansion with the acquisition of La Senza at the beginning of 2007, and we've continued to expand our presence outside of North America through partnerships with a small number of experienced partners and a limited number of company-owned stores. In 2013, we accomplished the following:

- Victoria's Secret Beauty and Accessories Stores—Our partners opened 90 Victoria's Secret Beauty and Accessories stores bringing the total to 198. These stores are principally located in airports and tourist destinations. These stores are focused on Victoria's Secret branded beauty and accessory products and are operated by partners under a franchise or wholesale model. Our partners plan to open approximately 100 additional Victoria's Secret Beauty and Accessories stores in 2014.
- Victoria's Secret International Stores—We opened three company-owned Victoria's Secret full assortment stores in the U.K., bringing the total to five. In 2014, we plan to open four additional Victoria's Secret full assortment stores and two PINK stores in the U.K. Additionally, a partner opened another Victoria's Secret full assortment store in the Middle East in 2013 bringing the total to four and plans to open eight to 10 more in 2014.
- Bath & Body Works International Stores—Our partners opened 17 Bath & Body Works stores in 2013 bringing the total in the Middle East, Latin America and Eastern Europe to 55. Our partners plan to open approximately 25 additional stores in 2014.
- La Senza International Stores—We ended 2013 with more than 330 La Senza franchise stores around the world, and our partners plan to expand by an additional eight to 10 stores in 2014.

Focus on the fundamentals of our business

We are focused on the fundamentals of our business which include our customers, core merchandise categories, inventory management, speed and agility, and store selling and execution. In terms of speed and agility, we are focused on inventory discipline through lead-time reductions and in-season agility to increase sales and reduce promotional activity. Finally, we continue to optimize our store selling and execution by concentrating on a better store experience and developing and retaining talented, trained and productive store associates.

Return value to our shareholders

We are committed to returning value to our shareholders through a combination of dividends and share repurchase programs. During 2013, we paid $349 million in regular dividends and repurchased $63 million of our common stock. Additionally, in February 2014 our Board of Directors announced an increase in our regular annual dividend to $1.36 per share, from $1.20 per share previously. The Board of Directors also declared a special dividend of $1 per share. We use cash flow generated from operating activities and financing activities to fund our dividends and share repurchase programs. Since 2000, we have returned more than $15 billion to shareholders through share repurchases and dividends.

2013 Overview

We utilize the retail calendar for reporting. As such, the results for fiscal years 2013 and 2011 represent the 52-week periods ended February 1, 2014 and January 28, 2012, respectively and fiscal year 2012 represents the

53-week period ended February 2, 2013. The 2013 and 2011 fourth quarters consisted of a 13-week period versus a 14-week period in 2012. The extra week in 2012 accounted for approximately $125 million in incremental sales in the fourth quarter.

We had mixed results in 2013. Our performance did not meet our expectations, particularly in the fourth quarter. Our net sales increased $314 million to $10.773 billion driven by a comparable store sales increase of 2%. Our operating income increased $170 million to $1.743 billion, and our operating income rate improved from 15.0% to 16.2%. Our operating income for 2012 included $134 million of special items. For additional information on the special items, see the "Adjusted Financial Information" table below. Excluding these special items, our adjusted operating income increased $36 million and our adjusted operating income rate was about flat to last year. Our adjusted operating income increase was primarily driven by growth in our international business, our sourcing function and Bath & Body Works.

For additional information related to our 2013 financial performance, see "Results of Operations—2013 Compared to 2012."

Despite our mixed results in 2013, we remained focused on our initiatives to enable future growth including:

- Our capital expenditures of $691 million included $551 million for opening new stores and remodeling and improving existing stores. Remaining capital expenditures were primarily related to spending on technology and infrastructure to support growth.
- Continued expansion of company-owned Victoria's Secret stores in the U.K. and Canada and company-owned Bath & Body Works stores in Canada;
- Continued expansion of Bath & Body Works and Victoria's Secret stores in the Middle East, Eastern Europe and Latin America with franchise partners; and
- Continued expansion of Victoria's Secret Beauty and Accessories stores with partners throughout the world.

Adjusted Financial Information

In addition to our results provided in accordance with GAAP above and throughout this Form 10-K, we have provided non-GAAP measurements which present operating income, net income and earnings per share in 2012 and 2011 on an adjusted basis which removes certain special items. We believe that these special items are not indicative of our ongoing operations due to their size and nature. We use adjusted financial information as key performance measures of results of operations for the purpose of evaluating performance internally. These non-GAAP measurements are not intended to replace the presentation of our financial results in accordance with GAAP. Instead, we believe that the presentation of adjusted financial information provides additional information to investors to facilitate the comparison of past and present operations. Further, our definition of adjusted financial information may differ from similarly titled measures used by other companies. The table below reconciles the GAAP financial measures to the non-GAAP financial measures. For additional information regarding the special items, see the footnotes to the table in Item 6. Selected Financial Data.

	2013	2012	2011
Detail of Special Items included in Operating Income—Income (Expense)			
La Senza Goodwill and Intangible Asset Impairment Charges	$ —	$ (93)	$ (232)
Henri Bendel Long-lived Store Asset Impairment Charges	—	(27)	—
La Senza Restructuring Charges	—	(14)	(24)
Expense related to Contribution of Express Common Stock to The Limited Brands Foundation	—	—	(163)
Gain on Divestiture of Third-party Apparel Sourcing Business	—	—	111
Total Special Items included in Operating Income	$ —	$ (134)	$ (308)
Detail of Special Items included in Other Income—Income (Expense)			
Gain on Distributions from Easton Investments	$ —	$ 13	$ —
Gain on Sale of Express Common Stock	—	—	86
Gain on Contribution of Express Common Stock to The Limited Brands Foundation	—	—	147
Total Special Items included in Other Income	$ —	$ 13	$ 233
Detail of Special Items included in Provision for Income Taxes—Benefit (Provision)			
Tax effect of Special Items included in Operating Income	$ —	$ 12	$ 83
Tax effect of Special Items included in Other Income	—	(5)	(31)
Tax benefit related to favorable resolution of certain discrete income tax matters	—	—	56
Total Special Items included in Provision for Income Taxes	$ —	$ 7	$ 108
Reconciliation of Reported Operating Income to Adjusted Operating Income			
Reported Operating Income	$1,743	$1,573	$1,238
Special Items included in Operating Income	—	134	308
Adjusted Operating Income	$1,743	$1,707	$1,546
Reconciliation of Reported Net Income to Adjusted Net Income			
Reported Net Income	$ 903	$ 753	$ 850
Special Items included in Net Income	—	114	(33)
Adjusted Net Income	$ 903	$ 867	$ 817
Reconciliation of Reported Earnings Per Share to Adjusted Earnings Per Share			
Reported Earnings Per Share	$ 3.05	$ 2.54	$ 2.70
Special Items included in Earnings Per Share	—	0.38	(0.10)
Adjusted Earnings Per Share	$ 3.05	$ 2.92	$ 2.60

2014 Outlook

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

At the same time, we are aggressively focusing on bringing compelling merchandise assortments and marketing, store and online experiences to our customers. We will look for, and capitalize on, those opportunities available to us in this uncertain environment. We believe that our brands, which lead their categories and offer high emotional content to customers at accessible prices, are well positioned heading into 2014.

Company-Owned Store Data

The following table compares 2013 company-owned store data to the comparable periods for 2012 and 2011:

				% Change	
	2013	2012	2011	2013	2012
Sales per Average Selling Square Foot					
Victoria's Secret Stores (a)	$ 824	$ 817	$ 754	1%	8%
Bath & Body Works (a)	725	718	658	1%	9%
La Senza (b)	516	438	409	18%	7%
Sales per Average Store (in thousands)					
Victoria's Secret Stores (a)	$4,969	$4,892	$4,463	2%	10%
Bath & Body Works (a)	1,714	1,701	1,561	1%	9%
La Senza (b)	1,653	1,435	1,362	15%	5%
Average Store Size (selling square feet)					
Victoria's Secret Stores (a)	6,018	6,038	5,941	—%	2%
Bath & Body Works (a)	2,364	2,365	2,374	—%	—%
La Senza	3,185	3,219	3,312	(1)%	(3)%
Total Selling Square Feet (in thousands)					
Victoria's Secret Stores (a)	6,379	6,153	6,042	4%	2%
Bath & Body Works (a)	3,685	3,716	3,768	(1)%	(1)%
La Senza (c)	500	509	762	(2)%	(33)%

(a) Metric relates to company-owned stores in the U.S.

(b) Metric relates to company-owned stores in Canada. Metric is presented in Canadian dollars to eliminate the impact of foreign currency fluctuations.

(c) In the fourth quarter of 2011 and second quarter of 2012, we initiated restructuring programs designed to resize a portion of La Senza's store fleet. Under these programs, we closed 79 underperforming stores through the first quarter of 2013. Of these stores, 12 were closed in 2011, 66 were closed in 2012 and 1 was closed in 2013. For additional information, see Note 4 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

The following table compares 2013 company-owned store data to the comparable periods for 2012 and 2011:

Number of Stores (a)	2013	2012	2011
Victoria's Secret U.S.			
Beginning of Period	1,019	1,017	1,028
Opened	54	22	8
Closed	(13)	(20)	(19)
End of Period	1,060	1,019	1,017
Bath & Body Works U.S.			
Beginning of Period	1,571	1,587	1,606
Opened	8	4	6
Closed	(20)	(20)	(25)
End of Period	1,559	1,571	1,587
La Senza			
Beginning of Period	158	230	252
Opened	—	—	—
Closed (b)	(1)	(72)	(22)
End of Period	157	158	230
Bath & Body Works Canada			
Beginning of Period	71	69	59
Opened	8	3	10
Closed	—	(1)	—
End of Period	79	71	69
Victoria's Secret Canada			
Beginning of Period	26	19	12
Opened	8	7	8
Closed	—	—	(1)
End of Period	34	26	19
Henri Bendel			
Beginning of Period	29	19	11
Opened	—	10	8
Closed	—	—	—
End of Period	29	29	19
Victoria's Secret U.K.			
Beginning of Period	2	—	—
Opened	3	2	—
Closed	—	—	—
End of Period	5	2	—
Total			
Beginning of Period	2,876	2,941	2,968
Opened	81	48	40
Closed	(34)	(113)	(67)
End of Period	2,923	2,876	2,941

(a) Number of stores excludes independently owned La Senza, Bath & Body Works and Victoria's Secret stores operated by licensees and franchisees.

(b) In the fourth quarter of 2011 and second quarter of 2012, we initiated restructuring programs designed to resize a portion of La Senza's store fleet. Under these programs, we closed 79 underperforming stores through the first quarter of 2013. Of these stores, 12 were closed in 2011, 66 were closed in 2012 and 1 was closed in 2013. For additional information, see Note 4 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

Results of Operations—2013 Compared to 2012

Operating Income

The following table provides our segment operating income (loss) and operating income rates (expressed as a percentage of net sales) for 2013 in comparison to 2012:

			Operating Income Rate	
	2013	2012	2013	2012
	(in millions)			
Victoria's Secret	$1,132	$1,188	16.9%	18.1%
Bath & Body Works	618	604	21.1%	20.8%
Other (a) (b) (c) (d)	(7)	(219)	(0.6)%	(22.3)%
Total	$1,743	$1,573	16.2%	15.0%

(a) Includes our international operations, Mast Global, Henri Bendel and Corporate.

(b) 2012 includes $93 million impairments of goodwill, trade name and other intangible assets at La Senza. For additional information, see Note 7 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

(c) 2012 includes a $27 million impairment of long-lived store assets at Henri Bendel. For additional information, see Note 6 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

(d) 2012 includes $14 million of expense associated with restructuring activities at La Senza. For additional information, see Note 4 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

For 2013, operating income increased $170 million to $1.743 billion and the operating income rate increased to 16.2% from 15.0%. Our 2012 operating income includes the impact of $134 million in special items. For additional information, see "Adjusted Financial Information". Excluding these special items, our adjusted operating income increased $36 million and our adjusted operating income rate was about flat to last year. The drivers of the operating income results are discussed in the following sections.

Net Sales

The following table provides net sales for 2013 in comparison to 2012:

	2013	2012 (b)	% Change
	(in millions)		
Victoria's Secret Stores	$ 5,165	$ 4,981	4%
Victoria's Secret Direct	1,516	1,593	(5%)
Total Victoria's Secret	6,681	6,574	2%
Bath & Body Works Stores	2,682	2,686	—%
Bath & Body Works Direct	250	216	16%
Total Bath & Body Works	2,932	2,902	1%
Other (a)	1,160	983	18%
Total Net Sales	$10,773	$10,459	3%

(a) Includes our international operations, Mast Global, Henri Bendel and Corporate.

(b) We utilize the retail calendar for reporting. As such, the results for fiscal year 2013 represent the 52-week period ended February 1, 2014 and the results for 2012 represent the 53-week period ended February 2, 2013. The extra week in 2012 accounted for approximately $125 million in incremental net sales.

The following table provides a reconciliation of net sales for 2012 to 2013:

	Victoria's Secret	Bath & Body Works	Other	Total
		(in millions)		
2012 Net Sales	$6,574	$2,902	$ 983	$10,459
Comparable Store Sales	190	157	66	413
Sales Associated with New, Closed and Non-comparable Remodeled Stores, Net	(6)	(161)	14	(153)
Foreign Currency Translation	—	—	(30)	(30)
Direct Channels	(77)	34	3	(40)
Mast Global Third-party Sales and Other	—	—	124	124
2013 Net Sales	$6,681	$2,932	$1,160	$10,773

The following table compares 2013 comparable store sales to 2012:

	2013	2012
Victoria's Secret (a)	3%	7%
Bath & Body Works (a)	1%	7%
Total Comparable Store Sales (a) (b)	2%	6%

(a) The percentage change in comparable store sales represents the change in sales at comparable stores only and excludes the change in sales from our direct channels. A store is typically included in the calculation of comparable store sales when it has been open or owned 12 months or more and it has not had a change in selling square footage of 20% or more. Additionally, stores of a given brand are excluded if total selling square footage for the brand in the mall changes by 20% or more through the opening or closing of a second store. The percentage change in comparable store sales are calculated on a comparable calendar period. Therefore, the percentage change in comparable store sales for 2013 and 2012 were calculated on a 52 to 52 week basis and 53 to 53 week basis, respectively.

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

For 2013, our net sales increased $314 million to $10.773 billion and comparable store sales increased 2%. The results by segment are as follows:

Victoria's Secret

For 2013, net sales increased $107 million to $6.681 billion and comparable store sales increased 3%. The net sales result was primarily driven by:

- At Victoria's Secret Stores, net sales increased 4% related to increases across most categories including PINK, sport, swimwear and core lingerie, driven by a compelling merchandise assortment that incorporated newness, innovation and fashion, as well as in-store execution.
- At Victoria's Secret Direct, net sales decreased 5% related to a decrease in apparel partially offset by increases in sport, PINK, core lingerie, sleepwear and beauty. We are shifting our focus to the core categories of the brand including lingerie, PINK and beauty. As a result, net sales in the apparel category are declining as we reduce style counts and related inventory. Additionally, a fashion assortment that did not resonate with our customers contributed to the decline in apparel.

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

Bath & Body Works

For 2013, net sales increased $30 million to $2.932 billion and comparable store sales increased 1%. The net sales result was primarily driven by:

- At Bath & Body Works Stores, net sales were roughly flat.
- At Bath & Body Works Direct, net sales increased 16% with increases across all categories including Signature Collection, home fragrance and soaps and sanitizers.

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

Other

For 2013, net sales increased $177 million to $1.160 billion primarily related to higher revenue from our international wholesale and franchise business, including sales of merchandise to our international partners from Mast Global, new Victoria's Secret stores in the U.K. and Canada and new Bath & Body Works stores in Canada. This increase was partially offset by a decrease in net sales at La Senza primarily due to store closures.

Gross Profit

For 2013, our gross profit increased $43 million to $4.429 billion and our gross profit rate (expressed as a percentage of net sales) decreased to 41.1% from 41.9% primarily as a result of:

Victoria's Secret

For 2013, gross profit decreased primarily driven by:

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

The gross profit rate decrease was primarily driven by a decrease in the merchandise margin rate driven by increased promotional activity. The gross profit rate decrease was also driven by an increase in the buying and occupancy expense rate due to deleverage associated with the increase in occupancy expense at Victoria's Secret Stores mentioned above.

Bath & Body Works

For 2013, gross profit decreased primarily driven by:

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

The gross profit rate decrease was primarily driven by a decrease in the merchandise margin rate due to increased promotional activity in the fourth quarter. The gross profit rate decrease was also driven by an increase in the buying and occupancy expense rate due to deleverage associated with the increase in occupancy expense at Bath & Body Works Stores mentioned above.

Other

For 2013, the gross profit increase was primarily driven by higher merchandise margin dollars related to the increase in net sales in our international businesses and increases in net sales at Mast Global. The gross profit increase was also driven by lower buying and occupancy expenses driven by the $27 million long-lived store asset impairment charge at Henri Bendel and the $13 million in store closure restructuring charges related to our La Senza business that both occurred in 2012. The gross profit rate increased significantly driven by a significant decrease in the buying and occupancy expense rate due to the factors mentioned above and leverage associated with higher sales. The gross profit rate increase was partially offset by a significant decrease in the merchandise margin rate primarily due to increased promotional activity at La Senza.

General, Administrative and Store Operating Expenses

For 2013, our general, administrative and store operating expenses decreased $34 million to $2.686 billion primarily driven by a decrease in incentive compensation and other home office costs partially offset by an increase in store selling expenses associated with higher sales volumes and increased international expansion.

The general, administrative and store operating expense rate decreased to 24.9% from 26.0% due to the factors mentioned above and leverage associated with higher sales.

Impairment of Goodwill and Other Intangible Assets

In the fourth quarter of 2012, we recognized charges totaling $93 million related to the impairment of goodwill, trade name and a lease-related intangible asset at La Senza. These impairment charges are included in Impairment of Goodwill and Other Intangible Assets on the 2012 Consolidated Statement of Income. For additional information, see Critical Accounting Policies and Estimates and Note 7 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

Other Income and Expenses

Interest Expense

The following table provides the average daily borrowings and average borrowing rates for 2013 and 2012:

	2013	2012
Average daily borrowings (in millions)	$4,614	$4,495
Average borrowing rate (in percentages)	6.8%	7.1%

For 2013, our interest expense decreased $2 million to $314 million driven by a decrease in the average borrowing rate partially offset by an increase in average borrowings related to the October 2013 $500 million note issuance.

Other Income

For 2013, our other income decreased $7 million to $17 million primarily due to the $13 million gain related to $13 million in cash distributions from certain of our investments in Easton in November 2012 partially offset by an increase in equity method income from our investment in the third-party apparel sourcing business.

Provision for Income Taxes

For 2013, our effective tax rate decreased to 37.5% from 41.2%. The 2013 rate was lower than our combined estimated federal and state statutory rate of 38.8% primarily due to foreign earnings taxed at a rate lower than our combined estimated federal and state statutory rate. The 2012 rate was higher than our combined estimated federal and state statutory rate of 39.0% primarily due to the impairment of La Senza's goodwill and other intangible assets for which no tax benefit was recognized.

Results of Operations—Fourth Quarter of 2013 Compared to Fourth Quarter of 2012

Operating Income

The following table provides our segment operating income (loss) and operating income rates (expressed as a percentage of net sales) for the fourth quarter of 2013 in comparison to the fourth quarter of 2012:

	Fourth Quarter		Operating Income Rate	
	2013	2012	2013	2012
	(in millions)			
Victoria's Secret	$453	$ 496	20.3%	22.1%
Bath & Body Works	377	398	31.3%	31.8%
Other (a) (b) (c)	33	(106)	8.6%	(29.5)%
Total	$863	$ 788	22.6%	20.4%

(a) Includes our international operations, Mast Global, Henri Bendel and Corporate.

(b) 2012 includes a $93 million impairment of goodwill, trade name and other intangible assets at La Senza. For additional information, see Note 7 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

(c) 2012 includes a $27 million impairment of long-lived store assets at Henri Bendel. For additional information, see Note 6 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

For the fourth quarter of 2013, operating income increased $75 million to $863 million and the operating income rate increased to 22.6% from 20.4%. The drivers of the operating income results are discussed in the following sections.

Net Sales

The following table provides net sales for the fourth quarter of 2013 in comparison to the fourth quarter of 2012:

Fourth Quarter	2013	2012 (b)	% Change
	(in millions)		
Victoria's Secret Stores	$1,724	$1,714	1%
Victoria's Secret Direct	504	533	(5%)
Total Victoria's Secret	2,228	2,247	(1%)
Bath & Body Works Stores	1,104	1,157	(5%)
Bath & Body Works Direct	101	93	9%
Total Bath & Body Works	1,205	1,250	(4%)
Other (a)	385	359	7%
Total Net Sales	$3,818	$3,856	(1%)

(a) Includes our international operations, Mast Global, Henri Bendel and Corporate.

(b) We utilize the retail calendar for reporting. As such, the results for the fourth quarter of 2013 represent the 13-week period ended February 1, 2014 and the results for the fourth quarter of 2012 represent the 14-week period ended February 2, 2013. The extra week in the fourth quarter of 2012 accounted for approximately $125 million in incremental sales.

The following table provides a reconciliation of net sales for the fourth quarter of 2012 to the fourth quarter of 2013:

Fourth Quarter	Victoria's Secret	Bath & Body Works	Other	Total
		(in millions)		
2012 Net Sales	$2,247	$1,250	$359	$3,856
Comparable Store Sales	39	(10)	3	32
Sales Associated with New, Closed and Non-comparable Remodeled Stores, Net	(29)	(43)	12	(60)
Foreign Currency Translation	—	—	(16)	(16)
Direct Channels	(29)	8	1	(20)
Mast Global Third-party Sales and Other	—	—	26	26
2013 Net Sales	$2,228	$1,205	$385	$3,818

The following table compares fourth quarter of 2013 comparable store sales to fourth quarter of 2012:

Fourth Quarter	2013	2012
Victoria's Secret Stores (a)	3%	3%
Bath & Body Works (a)	(1)%	7%
Total Comparable Store Sales (a) (b)	1%	5%

(a) The percentage change in comparable store sales represents the change in sales at comparable stores only and excludes the change in sales from our direct channels. A store is typically included in the calculation of comparable store sales when it has been open or owned 12 months or more and it has not had a change in selling square footage of 20% or more. Additionally, stores of a given brand are excluded if total selling square footage for the brand in the mall changes by 20% or more through the opening or closing of a second store. The percentage change in comparable store sales are calculated on a comparable calendar period. Therefore, the percentage change in comparable store sales for the fourth quarter of 2013 and 2012 were calculated on a 13 to 13 week basis and 14 to 14 week basis, respectively.

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

For the fourth quarter of 2013, our net sales decreased $38 million to $3.818 billion and comparable store sales increased 1%. The results by segment are as follows:

Victoria's Secret

For the fourth quarter of 2013, net sales decreased $19 million to $2.228 billion and comparable store sales increased 3%. The net sales result was primarily driven by:

- At Victoria's Secret Stores, net sales increased 1%. The increase was driven by performance in sport and PINK partially offset by decreases in beauty and core lingerie.
- At Victoria's Secret Direct, net sales decreased 5% related to a decrease in apparel partially offset by increases in beauty, sport, sleepwear and PINK. We are shifting our focus to the core categories of the brand including lingerie, PINK and beauty. As a result, net sales in the apparel category are declining as we reduce style counts and related inventory. Additionally, a fashion assortment that did not resonate with our customers contributed to the decline in apparel.

The increase in comparable store sales was driven by an increase in total transactions.

Bath & Body Works

For the fourth quarter of 2013, net sales decreased $45 million to $1.205 billion and comparable store sales decreased 1%. The net sales result was primarily driven by:

- At Bath & Body Works Stores, net sales decreased 5% related to decreases across most categories including our performance brands, giftsets, Signature Collection and soaps and sanitizers business.
- At Bath & Body Works Direct, net sales increased 9% related to increases across all categories including Signature Collection, home fragrance and soaps and sanitizers.

The decrease in comparable store sales was driven by a decrease in total transactions.

Other

For the fourth quarter of 2013, net sales increased $26 million to $385 million primarily related to higher revenue from our international wholesale and franchise business, including sales of merchandise to our international partners from Mast Global, new Victoria's Secret stores in the U.K. and Canada and new Bath & Body Works stores in Canada. This increase was partially offset by a decrease in net sales at La Senza due to the impact of foreign currency and store closures.

Gross Profit

For the fourth quarter of 2013, our gross profit decreased $75 million to $1.642 billion and our gross profit rate (expressed as a percentage of net sales) decreased to 43.0% from 44.5% primarily as a result of:

Victoria's Secret

For the fourth quarter of 2013, gross profit decreased primarily driven by:

- At Victoria's Secret Stores, gross profit decreased due to the decline in sales and lower merchandise margin dollars driven by increased promotional activity. The decrease in gross profit was also due to higher buying and occupancy expenses due to an increase in occupancy expense driven by investments in real estate and store-related activity.

- At Victoria's Secret Direct, gross profit decreased due to lower merchandise margin dollars as a result of the decrease in net sales and increased promotional activity.

The gross profit rate decrease was primarily driven by a significant decline in the merchandise margin rate driven by increased promotional activity and a positive response to our customer marketing programs. The gross profit rate decrease was also driven by an increase in the buying and occupancy expense rate due to deleverage associated with the increase in occupancy expense at Victoria's Secret Stores mentioned above.

Bath & Body Works

For the fourth quarter of 2013, gross profit decreased primarily driven by:

- At Bath & Body Works Stores, gross profit decreased due to lower merchandise margin dollars primarily related to the decrease in net sales. The decrease in merchandise margin dollars was partially offset by lower buying and occupancy expenses related to the decrease in net sales.
- At Bath & Body Works Direct, gross profit increased due to higher merchandise margin dollars as a result of the increase in net sales and lower buying and occupancy expenses due to lower fulfillment costs.

The gross profit rate decreased due to a decrease in the merchandise margin rate due to increased promotional activity.

Other

For the fourth quarter of 2013, the gross profit increase was primarily driven by lower buying and occupancy expenses driven by the $27 million long-lived store asset impairment charge at Henri Bendel that occurred in the fourth quarter of 2012. The gross profit increase was also driven by higher merchandise margin dollars related to the increase in net sales in our international businesses and increases in net sales at Mast Global partially offset by lower merchandise margin dollars related to the decrease in net sales at La Senza. The gross profit rate increased significantly driven by a significant decrease in the buying and occupancy expense rate due to the factors mentioned above and leverage associated with higher sales. The gross profit rate increase was partially offset by a significant decrease in the merchandise margin rate primarily due to increased promotional activity at La Senza.

General, Administrative and Store Operating Expenses

For the fourth quarter of 2013, our general, administrative and store operating expenses decreased $57 million to $779 million primarily driven by a decrease in incentive compensation and other home office costs.

The general, administrative and store operating expense rate decreased to 20.4% from 21.7% due to the factors cited above.

Impairment of Goodwill and Other Intangible Assets

In the fourth quarter of 2012, we recognized charges totaling $93 million related to the impairment of goodwill, the trade name and a lease-related intangible asset at La Senza. These impairment charges are included in Impairment of Goodwill and Other Intangible Assets on the 2012 Consolidated Statement of Income. For additional information, see Critical Accounting Policies and Estimates and Note 7 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

Other Income and Expense

Interest Expense

The following table provides the average daily borrowings and average borrowing rates for the fourth quarter of 2013 and 2012:

Fourth Quarter	2013	2012
Average daily borrowings (in millions)	$4,963	$4,484
Average borrowing rate (in percentages)	6.7%	7.0%

For the fourth quarter of 2013, our interest expense was flat at $82 million primarily driven by a decrease in the average borrowing rate offset by an increase in average borrowings related to the October 2013 $500 million note issuance.

Other Income

For the fourth quarter of 2013, our other income increased $1 million to $6 million. The increase was primarily driven by equity method income from our investment in the third-party apparel sourcing business.

Provision for Income Taxes

For the fourth quarter of 2013, our effective tax rate decreased to 37.8% from 42.1%. The 2013 rate was lower than our combined estimated federal and state statutory rate of 38.8% primarily due to foreign earnings taxed at a rate lower than our combined estimated federal and state statutory rate. The 2012 rate was higher than our combined estimated federal and state statutory rate of 39% primarily due to the impairment of La Senza's goodwill and other intangible assets for which no tax benefit was recognized.

Results of Operations—2012 Compared to 2011

Operating Income

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

			Operating Income Rate	
	2012	2011	2012	2011
	(in millions)			
Victoria's Secret	$1,188	$1,081	18.1%	17.7%
Bath & Body Works	604	513	20.8%	19.2%
Other (a) (b) (c) (d) (e) (f)	(219)	(356)	(22.3)%	(22.7)%
Total	$1,573	$1,238	15.0%	11.9%

(a) Includes our international operations, Mast Global, Henri Bendel and Corporate. In the fourth quarter of 2011, we divested 51% of our third-party apparel sourcing business. As such, results of this business are only included through the first three quarters of 2011. For additional information, see Note 3 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

(b) 2012 and 2011 include $93 million and $232 million, respectively, impairments of goodwill, trade name and other intangible assets at La Senza. For additional information, see Note 7 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

(c) 2012 includes a $27 million impairment of long-lived store assets at Henri Bendel. For additional information, see Note 6 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

(d) 2012 and 2011 include $14 million and $24 million, respectively, of expense associated with restructuring activities at La Senza. For additional information, see Note 4 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

(e) 2011 includes $163 million of expense associated with the charitable contribution of shares of Express to The Limited Brands Foundation. For additional information, see Note 8 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

(f) 2011 includes an $111 million gain associated with the divestiture of the third-party apparel sourcing business. For additional information, see Note 3 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

For 2012, operating income increased $335 million to $1.573 billion and the operating income rate increased to 15.0% from 11.9%. Our 2012 and 2011 operating income includes the impact of $134 million and $308 million, respectively, in special items. For additional information, see "Adjusted Financial Information". Excluding these special items, our adjusted operating income increased $161 million to $1.707 billion and the operating income rate increased to 16.3% from 14.9%. The drivers of the operating income results are discussed in the following sections.

Net Sales

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

	2012 (b)	2011	% Change
	(in millions)		
Victoria's Secret Stores	$ 4,981	$ 4,564	9%
Victoria's Secret Direct	1,593	1,557	2%
Total Victoria's Secret	6,574	6,121	7%
Bath & Body Works Stores	2,686	2,491	8%
Bath & Body Works Direct	216	183	18%
Total Bath & Body Works	2,902	2,674	9%
Other (a)	983	1,569	(37%)
Total Net Sales	$10,459	$10,364	1%

(a) Includes our international operations, Mast Global, Henri Bendel and Corporate. In the fourth quarter of 2011, we divested 51% of our third-party apparel sourcing business. As such, results of this business are only included through the first three quarters of 2011. 2011 sales included $702 million attributable to the third-party apparel sourcing business. For additional information, see Note 3 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

(b) We utilize the retail calendar for reporting. As such, the results for fiscal year 2012 represent the 53-week period ended February 2, 2013 and the results for 2011 represent the 52-week period ended January 28, 2012. The extra week accounted for approximately $125 million in incremental net sales in 2012.

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

	Victoria's Secret	Bath & Body Works	Other	Total
		(in millions)		
2011 Net Sales	$6,121	$2,674	$1,569	$10,364
Comparable Store Sales	288	162	(7)	443
Sales Associated with New, Closed and Non-comparable Remodeled Stores, Net	129	33	65	227
Foreign Currency Translation	—	—	(2)	(2)
Direct Channels	36	33	3	72
Mast Global Third-party Sales and Other	—	—	57	57
Divestiture of Third-party Apparel Sourcing Business	—	—	(702)	(702)
2012 Net Sales	$6,574	$2,902	$ 983	$10,459

The following table compares 2012 comparable store sales to 2011:

	2012	2011
Victoria's Secret (a)	7%	14%
Bath & Body Works (a)	7%	6%
Total Comparable Store Sales (a) (b)	6%	10%

(a) The percentage change in comparable store sales represents the change in sales at comparable stores only and excludes the change in sales from our direct channels. A store is typically included in the calculation of comparable store sales when it has been open or owned 12 months or more and it has not had a change in selling square footage of 20% or more. Additionally, stores of a given brand are excluded if total selling square footage for the brand in the mall changes by 20% or more through the opening or closing of a second store. The percentage change in comparable store sales are calculated on a comparable calendar period. Therefore, the percentage change in comparable store sales for 2012 and 2011 were calculated on a 53 to 53 week basis and 52 to 52 week basis, respectively.

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

For 2012, our net sales increased $95 million to $10.459 billion and comparable store sales increased 6%. The results by segment are as follows:

Victoria's Secret

For 2012, net sales increased $453 million to $6.574 billion and comparable store sales increased 7%. The net sales result was primarily driven by:

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

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

Bath & Body Works

For 2012, net sales increased $228 million to $2.902 billion and comparable store sales increased 7%. The net sales result was primarily driven by:

- At Bath & Body Works Stores, net sales increased across most categories including Signature Collection, home fragrance and soaps and sanitizers which all incorporated newness and innovation.
- At Bath & Body Works Direct, net sales increased with increases across all categories including Signature Collection, home fragrance and soaps and sanitizers.

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

Other

For 2012, net sales decreased $586 million to $983 million primarily related to the divestiture of the third-party apparel sourcing business in the fourth quarter of 2011 and a decrease in sales at La Senza due to store closures. This decrease was partially offset by higher revenue from our international wholesale and franchise business, including sales of merchandise to our international partners from Mast Global, new Victoria's Secret stores in Canada and the U.K. and new Bath & Body Works stores in Canada.

Gross Profit

For 2012, our gross profit increased $329 million to $4.386 billion and our gross profit rate (expressed as a percentage of net sales) increased to 41.9% from 39.1% primarily as a result of:

Victoria's Secret

For 2012, the gross profit increase was primarily driven by:

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

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

Bath & Body Works

For 2012, the gross profit increase was primarily driven by:

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

The gross profit rate increase was driven primarily by a decrease in the buying and occupancy expense rate due to leverage associated with higher sales.

Other

For 2012, the gross profit increase was primarily driven by higher merchandise margin dollars related to the increase in net sales in our international businesses and increases in net sales to our internal brands from Mast Global. The gross profit increase was partially offset by the divestiture of our third-party apparel sourcing business and a $27 million long-lived store asset impairment charge at Henri Bendel driven by continued negative operating results. The gross profit rate increased significantly due to the divestiture of the third-party apparel sourcing business in the fourth quarter of 2011 which removed lower margin sales, which was partially offset by an increase in the buying and occupancy rate due to the long-lived store asset impairment charge mentioned above.

General, Administrative and Store Operating Expenses

For 2012, our general, administrative and store operating expenses increased $22 million to $2.720 billion primarily driven by an increase in store selling expenses associated with higher sales volumes and increased international expansion. This increase was partially offset by $163 million of expense associated with the charitable contribution to The Limited Brands Foundation in 2011 and $7 million in restructuring charges related to our La Senza business that occurred in the fourth quarter of 2011. The general, administrative and store operating expense rate was flat at 26.0% due to the factors mentioned above.

Impairment of Goodwill and Other Intangible Assets

In the fourth quarter of 2012, we recognized charges totaling $93 million related to the impairment of goodwill, trade name and other intangible assets at La Senza. In the fourth quarter of 2011, we recognized charges totaling $232 million related to the impairment of goodwill, trade name and a lease-related intangible asset at La Senza. These impairment charges are included in Impairment of Goodwill and Other Intangible Assets on the 2012 and 2011 Consolidated Statements of Income, respectively. For additional information, see Critical Accounting Policies and Estimates and Note 7 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

Divestiture of Third-party Apparel Sourcing Business

In the fourth quarter of 2011, we recognized a pre-tax gain of $111 million associated with the divestiture of 51% of our ownership interest in our third-party apparel sourcing business for pre-tax cash proceeds of $124 million. The proceeds are included in Proceeds from Divestiture of Third-party Apparel Sourcing Business within the Investing Activities section on the 2011 Consolidated Statements of Cash Flows. The pre-tax gain is included in Gain on Divestiture of Third-party Apparel Sourcing Business on the 2011 Consolidated Statement of Income. For additional information, see Note 3 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

Other Income and Expenses

Interest Expense

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

	2012	2011
Average daily borrowings (in millions)	$4,495	$3,364
Average borrowing rate (in percentages)	7.1%	7.3%

For 2012, our interest expense increased $70 million to $316 million driven by an increase in average borrowings related to the February 2012 $1 billion note issuance, partially offset by a decrease in the average borrowing rate.

Other Income

For 2012, our other income decreased $211 million to $24 million primarily due to a $147 million gain related to the charitable contribution of our remaining shares of Express to The Limited Brands Foundation completed in July 2011 and an $86 million gain related to the sale of a portion of our shares of Express completed in April 2011. This decrease was partially offset by the $13 million gain related to $13 million in cash distributions from certain of our investments in Easton in November 2012 and equity method income from our investment in the third-party apparel sourcing business.

Provision for Income Taxes

For 2012, our effective tax rate increased to 41.2% from 30.7%. The 2012 rate was higher than our combined estimated federal and state statutory rate of 39.0% primarily due to the impairment of La Senza's goodwill and other intangible assets for which no tax benefit was recognized. The 2011 rate was lower than our combined estimated federal and state statutory rate of 39.0% primarily due to the tax benefit associated with our charitable contribution of Express shares to The Limited Brands Foundation as well as the nontaxable foreign portion of the divestiture of our third-party apparel sourcing business.

Results of Operations—Fourth Quarter of 2012 Compared to Fourth Quarter of 2011

Operating Income

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

	Fourth Quarter		Operating Income Rate	
	2012	2011	2012	2011
	(in millions)			
Victoria's Secret	$ 496	$ 447	22.1%	21.4%
Bath & Body Works	398	348	31.8%	30.9%
Other (a) (b) (c) (d) (e)	(106)	(154)	(29.5)%	(51.8)%
Total	$ 788	$ 641	20.4%	18.2%

(a) Includes our international operations, Mast Global, Henri Bendel and Corporate.

(b) 2012 and 2011 include a $93 million and $232 million, respectively, impairment of goodwill, trade name and other intangible assets at La Senza. For additional information, see Note 7 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

(c) 2012 includes a $27 million impairment of long-lived store assets at Henri Bendel. For additional information, see Note 6 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

(d) 2011 includes a $111 million gain associated with the divestiture of the third-party apparel sourcing business. For additional information, see Note 3 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

(e) 2011 includes $24 million of expense associated with the restructuring of our La Senza business. For additional information, see Note 4 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

For the fourth quarter of 2012, operating income increased $147 million to $788 million and the operating income rate increased to 20.4% from 18.2%. The drivers of the operating income results are discussed in the following sections.

Net Sales

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

Fourth Quarter	2012 (b)	2011	% Change
	(in millions)		
Victoria's Secret Stores	$1,714	$1,572	9%
Victoria's Secret Direct	533	518	3%
Total Victoria's Secret	2,247	2,090	8%
Bath & Body Works Stores	1,157	1,050	10%
Bath & Body Works Direct	93	77	21%
Total Bath & Body Works	1,250	1,127	11%
Other (a)	359	298	20%
Total Net Sales	$3,856	$3,515	10%

(a) Includes our international operations, Mast Global, Henri Bendel and Corporate.

(b) We utilize the retail calendar for reporting. As such, the results for the fourth quarter of 2012 represent the 14-week period ended February 2, 2013 and the results for the fourth quarter of 2011 represent the 13-week period ended January 28, 2012. The extra week accounted for approximately $125 million in incremental sales in the fourth quarter of 2012.

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

Fourth Quarter	Victoria's Secret	Bath & Body Works	Other	Total
		(in millions)		
2011 Net Sales	$2,090	$1,127	$298	$3,515
Comparable Store Sales	50	78	2	130
Sales Associated with New, Closed and Non-comparable Remodeled Stores, Net	92	29	27	148
Foreign Currency Translation	—	—	6	6
Direct Channels	15	16	2	33
Mast Global Third-party Sales and Other	—	—	24	24
2012 Net Sales	$2,247	$1,250	$359	$3,856

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

Fourth Quarter	2012	2011
Victoria's Secret Stores (a)	3%	12%
Bath & Body Works (a)	7%	3%
Total Comparable Store Sales (a) (b)	5%	7%

(a) The percentage change in comparable store sales represents the change in sales at comparable stores only and excludes the change in sales from our direct channels. A store is typically included in the calculation of comparable store sales when it has been open or owned 12 months or more and it has not had a change in selling square footage of 20% or more. Additionally, stores of a given brand are excluded if total selling square footage for the brand in the mall changes by 20% or more through the opening or closing of a second store. The percentage change in comparable store sales are calculated on a comparable calendar period. Therefore, the percentage change in comparable store sales for the fourth quarter of 2012 and 2011 were calculated on a 14 to 14 week basis and 13 to 13 week basis, respectively.

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

For the fourth quarter of 2012, our net sales increased $341 million to $3.856 billion and comparable store sales increased 5%. The results by segment are as follows:

Victoria's Secret

For the fourth quarter of 2012, net sales increased $157 million to $2.247 billion and comparable store sales increased 3%. The net sales result was primarily driven by:

- At Victoria's Secret Stores, net sales increased across most categories including PINK, core lingerie and sport driven by a compelling merchandise assortment that incorporated newness, innovation and fashion, as well as in-store execution.
- At Victoria's Secret Direct, net sales increased 3% related to increases in PINK, sport and core lingerie, partially offset by a decrease in apparel.

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

Bath & Body Works

For the fourth quarter of 2012, net sales increased $123 million to $1.250 billion and comparable store sales increased 7%. The net sales result was primarily driven by:

- At Bath & Body Works Stores, net sales increased across most categories including Signature Collection, home fragrance and soaps and sanitizers which all incorporated newness and innovation.
- At Bath & Body Works Direct, net sales increased with increases across all categories including Signature Collection, home fragrance and soaps and sanitizers.

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

Other

For the fourth quarter of 2012, net sales increased $61 million to $359 million primarily related to higher revenue from our international wholesale and franchise business, including sales of merchandise to our international partners from Mast Global, new Victoria's Secret stores in Canada and the U.K. and new Bath & Body Works stores in Canada. This increase was partially offset by a decrease in sales at La Senza due to store closures.

Gross Profit

For the fourth quarter of 2012, our gross profit increased $189 million to $1.717 billion and our gross profit rate (expressed as a percentage of net sales) increased to 44.5% from 43.5% primarily as a result of:

Victoria's Secret

For the fourth quarter of 2012, gross profit increased primarily driven by:

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

The gross profit rate increase was driven primarily by a significant increase in the merchandise margin rate at Victoria's Secret Direct due to decreased promotional activity and leverage on buying and occupancy expenses from the increase in net sales. The gross profit rate increase at Victoria's Secret Direct was partially offset by a gross profit rate decrease at Victoria's Secret Stores primarily due to a decrease in the merchandise margin rate driven by increased promotional activity.

Bath & Body Works

For the fourth quarter of 2012, gross profit increased primarily driven by:

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

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

Other

For the fourth quarter of 2012, the gross profit increase was primarily driven by higher merchandise margin dollars related to net sales increases in our international businesses, higher merchandise margin dollars at Mast Global related to net sales increases to our internal brands and the $17 million in restructuring charges at La Senza that occurred in the fourth quarter of 2011. The gross profit increase was partially offset by the $27 million long-lived store asset impairment charge related to Henri Bendel. The gross profit rate increased significantly due to the factors mentioned above.

General, Administrative and Store Operating Expenses

For the fourth quarter of 2012, our general, administrative and store operating expenses increased $71 million to $836 million primarily driven by an increase in store selling expenses driven by higher sales volumes and increased international expansion. This increase was partially offset by the $7 million in restructuring charges related to our La Senza business that occurred in the fourth quarter of 2011.

The general, administrative and store operating expense rate decreased slightly to 21.7% from 21.8% due to the factors cited above.

Impairment of Goodwill and Other Intangible Assets

In the fourth quarter of 2012, we recognized charges totaling $93 million related to the impairment of goodwill, the trade name and other intangible assets at La Senza. In the fourth quarter of 2011, we recognized charges totaling $232 million related to the impairment of goodwill, the trade name and a lease-related intangible asset at La Senza. These impairment charges are included in Impairment of Goodwill and Other Intangible Assets on the 2012 and 2011 Consolidated Statements of Income, respectively. For additional information, see Critical Accounting Policies and Estimates and Note 7 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

Gain on Divestiture of Third-party Apparel Sourcing Business

In the fourth quarter of 2011, we recognized a pre-tax gain of $111 million associated with the divestiture of 51% of our ownership interest in our third-party apparel sourcing business for pre-tax cash proceeds of $124 million.

The proceeds are included in Proceeds from Divestiture of Third-party Apparel Sourcing Business within the Investing Activities section on the 2011 Consolidated Statement of Cash Flows. The pre-tax gain is included in Gain on Divestiture of Third-party Apparel Sourcing Business on the 2011 Consolidated Statement of Income. For additional information, see Note 3 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

Other Income and Expense

Interest Expense

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

Fourth Quarter	2012	2011
Average daily borrowings (in millions)	$4,484	$3,520
Average borrowing rate (in percentages)	7.0%	7.2%

For the fourth quarter of 2012, our interest expense increased $19 million to $82 million primarily driven by an increase in average borrowings related to the February 2012 $1 billion note issuance, partially offset by a decrease in the average borrowing rate.

Other Income

For the fourth quarter of 2012, our other income increased $3 million to $5 million. The increase was primarily driven by equity method income from our investment in the third-party apparel sourcing business.

Provision for Income Taxes

For the fourth quarter of 2012, our effective tax rate increased to 42.1% from 38.0%. The 2012 rate was higher than our combined estimated federal and state statutory rate of 39.0% primarily due to the impairment of La Senza's goodwill and other intangible assets for which no tax benefit was recognized. The 2011 rate was lower than our combined estimated federal and state statutory rate of 39.0% primarily due to the tax benefit associated with the nontaxable foreign portion of the divestiture of our third-party apparel sourcing business.

FINANCIAL CONDITION

Liquidity and Capital Resources

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

We believe in returning value to our shareholders through a combination of dividends and share repurchase programs. During 2013, we paid $349 million in regular dividends and repurchased $63 million of our common stock. We use cash flow generated from operating activities and financing activities to fund our dividends and share repurchase programs.

Our total cash and cash equivalents held by foreign subsidiaries were $166 million as of February 1, 2014. Under current tax laws and regulations, if cash and cash equivalents held outside the U.S. are repatriated to the U.S., in certain circumstances we may be subject to additional income taxes.

The following table provides our long-term debt balance as of February 1, 2014 and February 2, 2013:

	February 1, 2014	February 2, 2013
	(in millions)	
Senior Unsecured Debt with Subsidiary Guarantee		
$1 billion, 5.625% Fixed Interest Rate Notes due February 2022 ("2022 Notes")	$1,000	$1,000
$1 billion, 6.625% Fixed Interest Rate Notes due April 2021 ("2021 Notes")	1,000	1,000
$500 million, 5.625% Fixed Interest Rate Notes due October 2023 ("2023 Notes")	500	—
$500 million, 8.50% Fixed Interest Rate Notes due June 2019, Less Unamortized Discount ("2019 Notes") (a)	494	489
$400 million, 7.00% Fixed Interest Rate Notes due May 2020 ("2020 Notes")	400	400
Total Senior Unsecured Debt with Subsidiary Guarantee	$3,394	$2,889
Senior Unsecured Debt		
$700 million, 6.90% Fixed Interest Rate Notes due July 2017, Less Unamortized Discount ("2017 Notes") (b)	$ 718	$ 721
$350 million, 6.95% Fixed Interest Rate Debentures due March 2033, Less Unamortized Discount ("2033 Notes")	350	350
$300 million, 7.60% Fixed Interest Rate Notes due July 2037, Less Unamortized Discount ("2037 Notes")	299	299
5.25% Fixed Interest Rate Notes due November 2014, Less Unamortized Discount ("2014 Notes") (c)	215	218
Total Senior Unsecured Debt	$1,582	$1,588
Total	$4,976	$4,477
Current Portion of Long-term Debt	(215)	—
Total Long-term Debt, Net of Current Portion	$4,761	$4,477

(a) The balance as of February 1, 2014 includes a fair value interest rate hedge adjustment which increased the debt balance by $2 million.

(b) The balances include a fair value interest rate hedge adjustment which increased the debt balance by $19 million as of February 1, 2014 and $22 million as of February 2, 2013.

(c) The principal balance outstanding was $213 million as of both February 1, 2014 and February 2, 2013. The balances include a fair value interest rate hedge adjustment which increased the debt balance by $3 million as of February 1, 2014 and $5 million as of February 2, 2013.

Issuance of Notes

In March 2011, we issued $1 billion of 6.625% notes due in April 2021 utilizing an existing shelf registration under which debt securities, common and preferred stock and other securities can be issued. The 2021 Notes are jointly and severally guaranteed on a full and unconditional basis by certain of our 100% owned subsidiaries (such subsidiaries, the "Guarantors"). The proceeds from the issuance were $981 million, which were net of issuance costs of $19 million.

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

In October 2013, we issued $500 million of 5.625% notes due in October 2023 utilizing an existing shelf registration under which debt securities, common and preferred stock and other securities can be issued. The 2023 Notes are jointly and severally guaranteed on a full and unconditional basis by the Guarantors. The proceeds from the issuance were $495 million, which were net of issuance costs of $5 million.

Revolving Facility

On July 15, 2011, we entered into an amendment and restatement ("Amendment") of our secured revolving credit facility ("Revolving Facility"). The Amendment increased the aggregate amount of the commitments of the lenders under the Revolving Facility to $1 billion and extended the termination date to July 15, 2016. In addition, the Amendment reduced fees payable under the Revolving Facility which are based on our long-term credit ratings. The fees related to committed and unutilized amounts per year are 0.325% per annum and the fees related to outstanding letters of credit are 1.75% per annum. In addition, the interest rate on outstanding borrowings is London Interbank Offered Rate ("LIBOR") plus 1.75%.

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

The Revolving Facility contains fixed charge coverage and debt to EBITDA financial covenants. We are required to maintain a fixed charge coverage ratio of not less than 1.75 to 1.00 and a consolidated debt to consolidated EBITDA ratio not exceeding 4.00 to 1.00 for the most recent four-quarter period. In addition, the Revolving Facility provides that investments and restricted payments may be made, without limitation on amount, if (a) at the time of and after giving effect to such investment or restricted payment the ratio of consolidated debt to consolidated EBITDA for the most recent four-quarter period is less than 3.00 to 1.00 and (b) no default or event of default exists. As of February 1, 2014, we were in compliance with both of our financial covenants and the ratio of consolidated debt to consolidated EBITDA was less than 3.00 to 1.00.

During the third quarter of 2013, we borrowed and repaid $290 million under the Revolving Facility. The maximum daily amount outstanding at any point in time during the third quarter of 2013 was $140 million.

As of February 1, 2014, there were no borrowings outstanding under the Revolving Facility.

Letters of Credit

The Revolving Facility supports our letter of credit program. We had $8 million of outstanding letters of credit as of February 1, 2014 that reduce our remaining availability under our amended credit agreements.

Fair Value Interest Rate Swap Arrangements

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

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

In August 2011, we terminated interest rate swaps related to the 2014 Notes with a notional amount of $213 million. In settlement of these swaps, we received $9 million.

In September 2011, we terminated interest rate swaps related to the 2017 Notes with a notional amount of $150 million. In settlement of these swaps, we received $12 million. In June 2012, we terminated the remaining interest rate swaps related to the 2017 Notes with a notional amount of $175 million. In settlement of these swaps, we received $14 million.

Both the carrying values of the 2014 and 2017 Notes include unamortized hedge settlements which are amortized as a reduction to interest expense through the respective maturity date of the Notes.

For information related to our fair value interest rate swap arrangements, see Note 12 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

Working Capital and Capitalization

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

The following table provides a summary of our working capital position and capitalization as of February 1, 2014, February 2, 2013 and January 28, 2012:

	February 1, 2014	February 2, 2013	January 28, 2012
		(in millions)	
Cash Provided by Operating Activities	$1,248	$ 1,351	$1,266
Capital Expenditures	691	588	426
Working Capital	1,324	667	842
Capitalization:			
Long-term Debt	4,761	4,477	3,481
Shareholders' Equity (Deficit)	(370)	(1,015)	137
Total Capitalization	4,391	3,462	3,618
Remaining Amounts Available Under Credit Agreements (a)	992	988	987

(a) Letters of credit issued reduce our remaining availability under the Revolving Facility. We have outstanding letters of credit that reduce our remaining availability under the Revolving Facility of $8 million, $12 million and $13 million as of February 1, 2014, February 2, 2013 and January 28, 2012, respectively.

The following table provides certain measures of liquidity and capital resources as of February 1, 2014, February 2, 2013 and January 28, 2012:

	February 1, 2014	February 2, 2013	January 28, 2012
Debt-to-capitalization Ratio (a)	108%	129%	96%
Cash Flow to Capital Investment (b)	181%	230%	297%

(a) Long-term debt divided by total capitalization

(b) Net cash provided by operating activities divided by capital expenditures

Credit Ratings

The following table provides our credit ratings as of February 1, 2014:

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

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

Common Stock Share Repurchases

Under the authority of our Board of Directors, we repurchased shares of our common stock under the following repurchase programs during the fiscal years 2013, 2012 and 2011:

		Shares Repurchased			Amount Repurchased			Average Stock Price of Shares Repurchased within
Repurchase Program	Amount Authorized	2013	2012	2011	2013	2012	2011	Program
	(in millions)	(in thousands)			(in millions)			
November 2012 (a)	$250	1,377	245	NA	$ 63	$ 11	NA	$45.80
February 2012 (b)	500	NA	9,871	NA	NA	450	NA	45.61
November 2011	250	NA	3,657	2,116	NA	164	$ 85	44.90
May 2011	500	NA	NA	13,293	NA	NA	500	37.59
March 2011	500	NA	NA	13,695	NA	NA	500	36.49
November 2010 (c)	200	NA	NA	3,431	NA	NA	109	31.68
Total		1,377	13,773	32,535	$ 63	$625	$1,194	

(a) The November 2012 repurchase program had $176 million remaining as of February 1, 2014.

(b) The February 2012 repurchase program had $50 million remaining at the time it was cancelled in conjunction with the approval of the November 2012 repurchase program.

(c) The November 2010 repurchase program had $31 million remaining at the time it was cancelled in conjunction with the approval of the March 2011 repurchase program.

NA Not applicable

There were $3 million share repurchases reflected in Accounts Payable on the February 1, 2014 Consolidated Balance Sheet. There were no share repurchases reflected in Accounts Payable as of February 2, 2013.

Subsequent to February 1, 2014, we repurchased an additional 0.3 million shares of common stock for $15 million under the November 2012 repurchase program.

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

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

Dividend Policy and Procedures

Under the authority and declaration of our Board of Directors, we paid the following dividends during the fiscal years 2013, 2012 and 2011:

	Ordinary Dividends	Special Dividends	Total Dividends	Total Paid
		(per share)		(in millions)
2013				
Fourth Quarter	$0.30	$ —	$0.30	$ 88
Third Quarter	0.30	—	0.30	87
Second Quarter	0.30	—	0.30	87
First Quarter	0.30	—	0.30	87
2013 Total	$1.20	$ —	$1.20	$ 349
2012				
Fourth Quarter	$0.25	$3.00	$3.25	$ 942
Third Quarter	0.25	1.00	1.25	361
Second Quarter	0.25	—	0.25	73
First Quarter	0.25	—	0.25	73
2012 Total	$1.00	$4.00	$5.00	$1,449
2011				
Fourth Quarter	$0.20	$2.00	$2.20	$ 653
Third Quarter	0.20	—	0.20	60
Second Quarter	0.20	1.00	1.20	367
First Quarter	0.20	—	0.20	64
2011 Total	$0.80	$3.00	$3.80	$1,144

Our Board of Directors will determine future dividends after giving consideration to the Company's levels of profit and cash flow, capital requirements, current and forecasted liquidity, the restrictions placed upon us by our borrowing arrangements as well as financial and other conditions existing at the time. We use cash flow generated from operating activities to fund our ordinary dividends and a combination of cash flow generated from operating activities and financing activities to fund our special dividends.

Subsequent to February 1, 2014, our Board of Directors declared an increase in our first quarter 2014 ordinary dividend from $0.30 to $0.34 per share and a special dividend of $1 per share. Both dividends, totaling $390 million, were paid on March 7, 2014 to shareholders of record at the close of business on February 21, 2014.

Treasury Share Retirement

In December 2011, we retired 39 million shares of our treasury stock to reduce the related administrative expense. The retirement resulted in a reduction of $1.341 billion in Treasury Stock, $19 million in the par value of Common Stock, $286 million in Paid-in Capital and $1.036 billion in Retained Earnings.

Cash Flow

The following table provides a summary of our cash flow activity for the fiscal years ended February 1, 2014, February 2, 2013 and January 28, 2012:

	2013	2012	2011
		(in millions)	
Cash and Cash Equivalents, Beginning of Year	$ 773	$ 935	$ 1,130
Net Cash Flows Provided by Operating Activities	1,248	1,351	1,266
Net Cash Flows Used for Investing Activities	(655)	(531)	(226)
Net Cash Flows Provided by (Used for) Financing Activities	154	(982)	(1,237)
Effect of Exchange Rate Changes on Cash	(1)	—	2
Net Increase (Decrease) in Cash and Cash Equivalents	746	(162)	(195)
Cash and Cash Equivalents, End of Year	$1,519	$ 773	$ 935

Operating Activities

Net cash provided by operating activities in 2013 was $1.248 billion, including net income of $903 million. Net income included depreciation and amortization of $407 million and share-based compensation expense of $85 million. Other changes in assets and liabilities represent items that had a current period cash flow impact, such as changes in working capital. The most significant item in working capital was a decrease in operating cash flow associated with an increase in inventories of $168 million.

Net cash provided by operating activities in 2012 was $1.351 billion, including net income of $753 million and excess tax benefits from share-based compensation of $116 million. Net income included depreciation and amortization of $389 million, impairment of goodwill and other intangible assets for our La Senza business of $93 million, share-based compensation expense of $73 million and impairment of long-lived store assets for our Henri Bendel business of $27 million. Other changes in assets and liabilities represent items that had a current period cash flow impact, such as changes in working capital. The most significant item in working capital was an increase in operating cash flow associated with an increase in income taxes payable of $139 million.

Net cash provided by operating activities in 2011 was $1.266 billion. Net income of $850 million included depreciation and amortization of $391 million, impairment of goodwill and other intangible assets for our La Senza business of $232 million, expense associated with a contribution of our remaining shares of Express to The Limited Brands Foundation of $163 million, a gain related to The Limited Brands Foundation contribution of $147 million, a gain related to the divestiture of our third-party apparel sourcing business of $111 million and a pre-tax gain on the sale of Express common stock of $86 million. Other changes in assets and liabilities represent items that had a current period cash flow impact, such as changes in working capital. The most significant items in working capital were the increases in accounts receivable and accounts payable related to the divestiture of our third-party apparel sourcing business.

Investing Activities

Net cash used for investing activities in 2013 was $655 million consisting primarily of $691 million of capital expenditures partially offset by the return of capital from the third-party apparel sourcing business investment of $46 million. The capital expenditures included $551 million for opening new stores and remodeling and improving existing stores. Remaining capital expenditures were primarily related to spending on technology and infrastructure to support growth.

Net cash used for investing activities in 2012 was $531 million consisting primarily of $588 million of capital expenditures partially offset by the return of capital from the third-party apparel sourcing business investment and return of capital from our Easton investments of $22 million and $13 million, respectively. The capital expenditures included $425 million for opening new stores and remodeling and improving existing stores. Remaining capital expenditures were primarily related to spending on technology and infrastructure to support growth.

Net cash used for investing activities in 2011 was $226 million consisting primarily of $426 million of capital expenditures partially offset by cash proceeds from the divestiture of our third-party apparel sourcing business investment and the sale of Express common stock of $124 million and $99 million, respectively. The capital expenditures included $281 million for opening new stores and remodeling and improving existing stores. Remaining capital expenditures were primarily related to spending on technology and infrastructure to support growth.

We anticipate spending approximately $750 million for capital expenditures in 2014 with the majority relating to opening new stores and remodeling and improving existing stores. We expect to open approximately 85 new company-owned stores in 2014, primarily in Canada and the U.S.

Financing Activities

Net cash provided by financing activities in 2013 was $154 million consisting primarily of proceeds from the issuance of long-term debt of $495 million (net of issuance costs), excess tax benefits from share-based compensation of $36 million and proceeds from the exercise of stock options of $32 million. These were partially offset by quarterly dividend payments aggregating $1.20 per share, or $349 million, and repurchases of common stock of $60 million.

Net cash used for financing activities in 2012 was $982 million consisting primarily of quarterly and special dividend payments aggregating $5.00 per share, or $1.449 billion, repurchases of common stock of $629 million and the repayment of long-term debt of $57 million. These were partially offset by proceeds from the issuance of long-term debt of $985 million (net of issuance costs), excess tax benefits from share-based compensation of $116 million and proceeds from the exercise of stock options of $52 million.

Net cash used for financing activities in 2011 was $1.237 billion consisting primarily of repurchases of common stock of $1.190 billion and quarterly and special dividend payments aggregating $3.80 per share, or $1.144 billion, partially offset by proceeds from the issuance of long-term debt of $981 million (net of issuance costs) and proceeds from the exercise of stock options of $75 million.

Contingent Liabilities and Contractual Obligations

The following table provides our contractual obligations, aggregated by type, including the maturity profile as of February 1, 2014:

	Payments Due by Period					
	Total	Less Than 1 Year	1-3 Years	4-5 Years	More than 5 Years	Other
			(in millions)			
Long-term Debt (a)	$ 7,826	$ 541	$ 633	$1,261	$5,391	$ —
Operating Leases Obligations (b)	3,690	559	1,004	756	1,371	—
Purchase Obligations (c)	1,158	1,061	86	7	4	—
Other Liabilities (d)	449	124	7	—	—	318
Total	$13,123	$2,285	$1,730	$2,024	$6,766	$318

(a) Long-term debt obligations relate to our principal and interest payments for outstanding notes and debentures. Interest payments have been estimated based on the coupon rate for fixed rate obligations. Interest obligations exclude amounts which have been accrued through February 1, 2014. For additional information, see Note 11 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

(b) Operating lease obligations primarily represent minimum payments due under store lease agreements. For additional information, see Note 15 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

(c) Purchase obligations primarily include purchase orders for merchandise inventory and other agreements to purchase goods or services that are enforceable and legally binding and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transactions.

(d) Other liabilities primarily include future payments relating to our nonqualified supplemental retirement plan of $243 million which have been reflected under "Other" as the timing of these future payments is not known until an associate leaves the Company or otherwise requests an in-service distribution. In addition, Other liabilities also include future estimated payments associated with unrecognized tax benefits. The "Less Than 1 Year" category includes $118 million of these tax items because it is reasonably possible that the payments could change in the next 12 months due to audit settlements or resolution of uncertainties. The remaining portion totaling $75 million is included in the "Other" category as the timing and amount of these payments is not known until the matters are resolved with relevant tax authorities. For additional information, see Notes to the Consolidated Financial Statements in Item 8. Financial Statements and Supplementary Data.

In connection with the disposition of certain businesses, we have remaining guarantees of approximately $43 million related to lease payments of Express, Limited Stores, Abercrombie & Fitch, Dick's Sporting Goods and New York & Company under the current terms of noncancelable leases expiring at various dates through 2018. These guarantees include minimum rent and additional payments covering taxes, common area costs and certain other expenses and relate to leases that commenced prior to the disposition of the businesses. In certain instances, our guarantee may remain in effect if the term of a lease is extended.

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

Fiscal Year (in millions)	
2014	$19
2015	11
2016	7
2017	4
2018	2
Thereafter	—
Total	$43

Our guarantees related to Express, Limited Stores and New York & Company require fair value accounting in accordance with GAAP in effect at the time of these divestitures. The guaranteed lease payments related to Express, Limited Stores and New York & Company totaled $22 million as of February 1, 2014 and $36 million as of February 2, 2013. The estimated fair value of these guarantee obligations was $1 million as of February 1, 2014 and $2 million as of February 2, 2013, and is included in Other Long-term Liabilities on the Consolidated Balance Sheets. The decrease in the fair value from February 2, 2013 to February 1, 2014 reflects the decrease in the remaining obligation period.

Our guarantees related to Abercrombie & Fitch and Dick's Sporting Goods are not subject to fair value accounting, but require that a loss be accrued when probable and reasonably estimable based on GAAP in effect at the time of these divestitures. We had no liability recorded with respect to any of the guarantee obligations as we concluded that payments under these guarantees were not probable as of February 1, 2014 and February 2, 2013.

These guarantees are not included within the Contingent Liabilities and Contractual Obligations table.

Off Balance Sheet Arrangements

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

Impact of Inflation

While it is difficult to accurately measure the impact of inflation due to the imprecise nature of the estimates required, we believe the effects of inflation, if any, on the results of operations and financial condition have been minor.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to adopt accounting policies related to estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period, as well as the related disclosure of contingent assets and liabilities at the date of the financial statements. On an ongoing basis, management evaluates its accounting policies, estimates and judgments, including those related to inventories, long-lived assets, claims and contingencies, income taxes and revenue recognition. Management bases our estimates and judgments on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Management has discussed the development and selection of our critical accounting policies and estimates with the Audit Committee of our Board of Directors and believes the following assumptions and estimates are most significant to reporting our results of operations and financial position.

Inventories

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

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

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

Management believes that the assumptions used in these estimates are reasonable and appropriate. A 10% increase or decrease in the inventory valuation adjustment would have impacted net income by approximately $2 million for 2013. A 10% increase or decrease in the estimated physical inventory loss adjustment would have impacted net income by approximately $2 million for 2013.

Valuation of Long-lived Assets

Property and equipment and intangible assets with finite lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the estimated undiscounted future cash flows related to the asset are less than the carrying value, we recognize a loss equal to the difference between the carrying value and the estimated fair value, usually determined by the estimated discounted future cash flows of the asset. When a decision has been made to dispose of property and equipment prior to the end of the previously estimated useful life, depreciation estimates are revised to reflect the use of the asset over the shortened estimated useful life.

In the fourth quarter of 2012, we concluded that the continued negative operating results of the Henri Bendel business were an indicator of potential impairment of the Henri Bendel long-lived store assets. We calculated the impairment by comparing the estimated discounted cash flows at each store to its respective carrying value and recognized an impairment charge of $27 million. This impairment charge is included in Cost of Goods Sold, Buying & Occupancy on the 2012 Consolidated Statement of Income. Based on the evaluation performed in the fourth quarter of 2013, we concluded that no impairment charge was necessary in 2013. The remaining carrying value of the Henri Bendel long-lived stores assets was $5 million and $6 million as of February 1, 2014 and February 2, 2013, respectively.

Goodwill is reviewed for impairment each year in the fourth quarter and may be reviewed more frequently if certain events occur or circumstances change. First, pursuant to Accounting Standards Update ("ASU") 2011-08, *Testing Goodwill for Impairment* , we perform a qualitative assessment to determine whether it is more likely than not that each reporting unit's fair value is less than its carrying value, including goodwill. If we determine that it is more likely than not that the fair value of the reporting unit is less than its carrying value, we then estimate the fair value of all assets and liabilities of that reporting unit, including the implied fair value of goodwill, through either estimated discounted future cash flows or market-based methodologies. If the carrying value of goodwill exceeds the implied fair value, we recognize an impairment charge equal to the difference. Our reporting units are determined in accordance with the provisions of ASC Topic 350, *Intangibles—Goodwill and Other* . Our reporting units that have goodwill are Victoria's Secret Stores, Victoria's Secret Direct, and Bath & Body Works.

The carrying value of goodwill for La Senza was reduced to zero as of February 2, 2013 due to impairments of $189 million, $119 million and $12 million in 2008, 2011 and 2012, respectively. For additional information, see Note 7 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

Intangible assets with indefinite lives are reviewed for impairment each year in the fourth quarter and may be reviewed more frequently if certain events occur or circumstances change. Pursuant to ASU 2012-02, *Testing Indefinite-Lived Intangible Assets for Impairment* , we first perform a qualitative assessment to determine whether it is more likely than not that the indefinite-lived intangible asset is impaired. If we determine that it is more likely than not that the fair value of the asset is less than its carrying amount, we estimate the fair value, usually determined by the estimated discounted future cash flows of the asset, compare that value with its carrying amount and record an impairment charge, if any.

The carrying value of trade names for La Senza was reduced to zero as of February 2, 2013 due to impairments of $26 million, $3 million, $113 million and $81 million in 2008, 2009, 2011 and 2012, respectively. For additional information, see Note 7 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplemental Data.

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

Claims and Contingencies

We are subject to various claims and contingencies related to lawsuits, insurance, regulatory and other matters arising out of the normal course of business. Our determination of the treatment of claims and contingencies in the Consolidated Financial Statements is based on management's view of the expected outcome of the applicable claim or contingency. We consult with legal counsel on matters related to litigation and seek input from both internal and external experts within and outside our organization with respect to matters in the ordinary course of business. We accrue a liability if the likelihood of an adverse outcome is probable and the amount is reasonably estimable. If the likelihood of an adverse outcome is only reasonably possible (as opposed to probable), or if an estimate is not reasonably determinable, disclosure of a material claim or contingency is disclosed in the Notes to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

Income Taxes

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

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

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

Our income tax returns, like those of most companies, are periodically audited by domestic and foreign tax authorities. These audits include questions regarding our tax filing positions, including the timing and amount of deductions and the allocation of income among various tax jurisdictions. At any one time, multiple tax years are subject to audit by the various tax authorities. A number of years may elapse before a particular matter for which we have established an accrual is audited and fully resolved or clarified. We adjust our tax contingencies accrual and income tax provision in the period in which matters are effectively settled with tax authorities at amounts different from our established accrual, when the statute of limitations expires for the relevant taxing authority to examine the tax position or when more information becomes available.

Although we believe that our estimates are reasonable, actual results could differ from these estimates resulting in a final tax outcome that may be materially different from that which is reflected in our Consolidated Financial Statements.

Revenue Recognition

Company-owned Stores and Direct Channels

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

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

Franchise and Other

We also recognize revenues associated with franchise and wholesale arrangements. Revenue recognized under franchise arrangements generally consists of royalties earned upon sale of merchandise by franchisees to third-party customers. Revenue is generally recognized under wholesale arrangements at the time the title passes to the customer.

We recognize revenue associated with merchandise sourcing and production services provided to third parties. Revenue is recognized at the time the title passes to the customer.

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

Market Risk

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

Foreign Exchange Rate Risk

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

In addition, our Canadian dollar and British pound denominated earnings are subject to exchange rate risk as substantially all of our merchandise sold in Canada and the U.K. is sourced through U.S. dollar transactions. We utilize foreign currency forward contracts to partially offset these risks.

Interest Rate Risk

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

All of our long-term debt as of February 1, 2014 has fixed interest rates. We will from time to time adjust our exposure to interest rate risk by entering into interest rate swap arrangements. As of February 1, 2014, we have interest rate swap arrangements with notional amounts of $200 million related to a portion of our 2017 Notes and $200 million related to a portion of our 2019 Notes.

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

For the balance of our long-term debt that is not subject to interest rate swap arrangements, our exposure to interest rate changes is limited to the fair value of the debt issued, which would not have a material impact on our earnings or cash flows.

Fair Value of Financial Instruments

As of February 1, 2014, management believes that the carrying values of cash and cash equivalents, receivables and payables approximate fair value because of the short maturity of these financial instruments.

The following table provides a summary of the carrying value and fair value of long-term debt and swap arrangements as of February 1, 2014 and February 2, 2013:

	February 1, 2014	**February 2, 2013**
	(in millions)	
Long-term Debt (a):		
Carrying Value	$4,976	$4,477
Fair Value, Estimated (b)	5,333	5,023
Cross-currency Swap Arrangements (c)	13	59
Fixed-to-Floating Interest Rate Swap Arrangements (c)	(5)	—

(a) The increase in the long-term debt is related to the issuance of the October 2023 Notes.

(b) The estimated fair value is based on reported transaction prices. The estimates presented are not necessarily indicative of the amounts that we could realize in a current market exchange.

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

Concentration of Credit Risk

We maintain cash and cash equivalents and derivative contracts with various major financial institutions. We monitor the relative credit standing of financial institutions with whom we transact and limit the amount of credit exposure with any one entity. We also periodically review the relative credit standing of franchise, license and wholesale partners and other entities to which we grant credit terms in the normal course of business.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

L BRANDS, INC.
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Our fiscal year ends on the Saturday nearest to January 31. Fiscal years are designated in the Consolidated Financial Statements and Notes by the calendar year in which the fiscal year commences. The results for fiscal years 2013 and 2011 refer to the 52-week periods ending February 1, 2014 and January 28, 2012, respectively, and 2012 represents the 53-week period ending February 2, 2013.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control system is designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of published financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of February 1, 2014. In making this assessment, management used the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria).

Based on our assessment and the COSO criteria, management believes that the Company maintained effective internal control over financial reporting as of February 1, 2014.

The Company's independent registered public accounting firm, Ernst & Young LLP, has issued an attestation report on the Company's internal control over financial reporting. Ernst & Young LLP's report appears on the following page and expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of February 1, 2014.

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

The Board of Directors and Shareholders of L Brands, Inc.:

We have audited L Brands, Inc.‘s internal control over financial reporting as of February 1, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). L Brands, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, L Brands, Inc. maintained, in all material respects, effective internal control over financial reporting as of February 1, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Consolidated Balance Sheets of L Brands, Inc. as of February 1, 2014 and February 2, 2013, and the related Consolidated Statements of Income, Comprehensive Income, Total Equity (Deficit), and Cash Flows for each of the three years in the period ended February 1, 2014 of L Brands, Inc., and our report dated March 21, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Columbus, Ohio
March 21, 2014

Report of Independent Registered Public Accounting Firm on Consolidated Financial Statements

The Board of Directors and Shareholders of L Brands, Inc.:

We have audited the accompanying Consolidated Balance Sheets of L Brands, Inc. as of February 1, 2014 and February 2, 2013, and the related Consolidated Statements of Income, Comprehensive Income, Total Equity (Deficit), and Cash Flows for each of the three years in the period ended February 1, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of L Brands, Inc. at February 1, 2014 and February 2, 2013, and the consolidated results of their operations and their cash flows for each of the three years in the period ended February 1, 2014, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), L Brands, Inc.'s internal control over financial reporting as of February 1, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated March 21, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Columbus, Ohio
March 21, 2014

L BRANDS, INC.

CONSOLIDATED STATEMENTS OF INCOME

(in millions except per share amounts)

	2013	2012	2011
Net Sales	$10,773	$10,459	$10,364
Costs of Goods Sold, Buying and Occupancy	(6,344)	(6,073)	(6,307)
Gross Profit	4,429	4,386	4,057
General, Administrative and Store Operating Expenses	(2,686)	(2,720)	(2,698)
Impairment of Goodwill and Other Intangible Assets	—	(93)	(232)
Gain on Divestiture of Third-party Apparel Sourcing Business	—	—	111
Operating Income	1,743	1,573	1,238
Interest Expense	(314)	(316)	(246)
Other Income	17	24	235
Income Before Income Taxes	1,446	1,281	1,227
Provision for Income Taxes	543	528	377
Net Income	$ 903	$ 753	$ 850
Net Income Per Basic Share	$ 3.12	$ 2.60	$ 2.80
Net Income Per Diluted Share	$ 3.05	$ 2.54	$ 2.70

L BRANDS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions)

	2013	2012	2011
Net Income	$ 903	$ 753	$ 850
Other Comprehensive Income (Loss), Net of Tax:			
Reclassification of Cash Flow Hedges to Earnings	(50)	5	3
Foreign Currency Translation	40	(2)	(1)
Unrealized Gain (Loss) on Cash Flow Hedges	46	1	(3)
Total Other Comprehensive Income (Loss), Net of Tax	36	4	(1)
Total Comprehensive Income	$ 939	$ 757	$ 849

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

L BRANDS, INC.

CONSOLIDATED BALANCE SHEETS

(in millions except per share amounts)

	February 1, 2014	February 2, 2013
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$1,519	$ 773
Accounts Receivable, Net	244	203
Inventories	1,165	1,004
Deferred Income Taxes	28	29
Other	194	196
Total Current Assets	3,150	2,205
Property and Equipment, Net	2,045	1,803
Goodwill	1,318	1,318
Trade Names and Other Intangible Assets, Net	411	412
Other Assets	274	281
Total Assets	$7,198	$ 6,019
LIABILITIES AND EQUITY (DEFICIT)		
Current Liabilities:		
Accounts Payable	$ 599	$ 541
Accrued Expenses and Other	787	807
Current Portion of Long-term Debt	215	—
Income Taxes	225	190
Total Current Liabilities	1,826	1,538
Deferred Income Taxes	210	200
Long-term Debt	4,761	4,477
Other Long-term Liabilities	770	818
Shareholders' Equity (Deficit):		
Preferred Stock—$1.00 par value; 10 shares authorized; none issued	—	—
Common Stock—$0.50 par value; 1,000 shares authorized; 307 and 304 shares issued; 291 and 289 shares outstanding, respectively	154	152
Paid-in Capital	302	186
Accumulated Other Comprehensive Income	40	4
Retained Earnings (Accumulated Deficit)	(118)	(672)
Less: Treasury Stock, at Average Cost; 16 and 15 shares, respectively	(748)	(685)
Total L Brands, Inc. Shareholders' Equity (Deficit)	(370)	(1,015)
Noncontrolling Interest	1	1
Total Equity (Deficit)	(369)	(1,014)
Total Liabilities and Equity (Deficit)	$7,198	$ 6,019

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

L BRANDS, INC.

CONSOLIDATED STATEMENTS OF TOTAL EQUITY (DEFICIT)

(in millions except per share amounts)

	Common Stock							
	Shares Outstanding	Par Value	Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Accumulated Deficit)	Treasury Stock, at Average Cost	Noncontrolling Interest	Total Equity (Deficit)
Balance, January 29, 2011	321	$164	$ 164	$ 1	$ 1,354	$ (207)	$ 1	$ 1,477
Net Income	—	—	—	—	850	—	—	850
Other Comprehensive Income (Loss)	—	—	—	(1)	—	—	—	(1)
Total Comprehensive Income (Loss)	—	—	—	(1)	850	—	—	849
Cash Dividends ($3.80 per share)	—	—	—	—	(1,144)	—	—	(1,144)
Repurchase of Common Stock	(32)	—	—	—	—	(1,194)	—	(1,194)
Treasury Share Retirement	—	(19)	(286)	—	(1,036)	1,341	—	—
Exercise of Stock Options and Other	6	3	147	—	—	—	—	150
Balance, January 28, 2012	295	$148	$ 25	$—	$ 24	$ (60)	$ 1	$ 138
Net Income	—	—	—	—	753	—	—	753
Other Comprehensive Income	—	—	—	4	—	—	—	4
Total Comprehensive Income	—	—	—	4	753	—	—	757
Cash Dividends ($5.00 per share)	—	—	—	—	(1,449)	—	—	(1,449)
Repurchase of Common Stock	(14)	—	—	—	—	(625)	—	(625)
Exercise of Stock Options and Other	8	4	161	—	—	—	—	165
Balance, February 2, 2013	289	$152	$ 186	$ 4	$ (672)	$ (685)	$ 1	$(1,014)
Net Income	—	—	—	—	903	—	—	903
Other Comprehensive Income	—	—	—	36	—	—	—	36
Total Comprehensive Income	—	—	—	36	903	—	—	939
Cash Dividends ($1.20 per share)	—	—	—	—	(349)	—	—	(349)
Repurchase of Common Stock	(1)	—	—	—	—	(63)	—	(63)
Exercise of Stock Options and Other	3	2	116	—	—	—	—	118
Balance, February 1, 2014	291	$154	$ 302	$40	$ (118)	$ (748)	$ 1	$ (369)

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

L BRANDS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

	2013	2012	2011
Operating Activities			
Net Income	$ 903	$ 753	$ 850
Adjustments to Reconcile Net Income to Net Cash Provided by (Used for) Operating Activities:			
Depreciation and Amortization of Long-lived Assets	407	389	391
Amortization of Landlord Allowances	(39)	(35)	(35)
Deferred Income Taxes	18	11	(37)
Share-based Compensation Expense	85	73	51
Excess Tax Benefits from Share-based Compensation	(36)	(116)	(48)
Goodwill and Intangible Asset Impairment Charges	—	93	232
Long-lived Store Asset Impairment Charges	—	27	—
Gain on Distributions from Easton Investments	—	(13)	—
Gain on Sale of Assets	—	(3)	—
Expense related to Contribution of Express Common Stock to The Limited Brands Foundation	—	—	163
Gain on Contribution of Express Common Stock to The Limited Brands Foundation	—	—	(147)
Gain on Divestiture of Third-party Apparel Sourcing Business	—	—	(111)
Gain on Sale of Express Common Stock	—	—	(86)
Changes in Assets and Liabilities, Net of Assets and Liabilities related to Divestitures:			
Accounts Receivable	(43)	5	(152)
Inventories	(168)	(7)	(27)
Accounts Payable, Accrued Expenses and Other	1	(43)	106
Income Taxes Payable	74	139	13
Other Assets and Liabilities	46	78	103
Net Cash Provided by Operating Activities	1,248	1,351	1,266
Investing Activities			
Capital Expenditures	(691)	(588)	(426)
Return of Capital from Third-party Apparel Sourcing Business Investment	46	22	—
Return of Capital from Easton Investments	—	13	—
Proceeds from Divestiture of Third-party Apparel Sourcing Business	—	—	124
Proceeds from Sale of Express Common Stock	—	—	99
Other Investing Activities	(10)	22	(23)
Net Cash Used for Investing Activities	(655)	(531)	(226)
Financing Activities			
Proceeds from Long-term Debt, Net of Issuance Costs	495	985	981
Borrowings from Revolving Facility	290	—	—
Repayments on Revolving Facility	(290)	—	—
Payments of Long-term Debt	—	(57)	—
Financing Costs	—	—	(7)
Repurchase of Common Stock	(60)	(629)	(1,190)
Dividends Paid	(349)	(1,449)	(1,144)
Excess Tax Benefits from Share-based Compensation	36	116	48
Proceeds from Exercise of Stock Options and Other	32	52	75
Net Cash Provided by (Used for) Financing Activities	154	(982)	(1,237)
Effects of Exchange Rate Changes on Cash	(1)	—	2
Net Increase (Decrease) in Cash and Cash Equivalents	746	(162)	(195)
Cash and Cash Equivalents, Beginning of Year	773	935	1,130
Cash and Cash Equivalents, End of Year	$1,519	$ 773	$ 935

Form 10-K

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

L BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business and Summary of Significant Accounting Policies

Description of Business

L Brands, Inc. ("the Company") operates in the highly competitive specialty retail business. The Company is a specialty retailer of women's intimate and other apparel, beauty and personal care products and accessories. The Company sells its merchandise through company-owned specialty retail stores in the United States ("U.S."), Canada and the United Kingdom ("U.K."), which are primarily mall-based, and through its websites, catalogue and other channels. The Company's other international operations are primarily through franchise, license and wholesale partners. The Company currently operates the following retail brands:

- Victoria's Secret
- PINK
- Bath & Body Works
- La Senza
- Henri Bendel

Fiscal Year

The Company's fiscal year ends on the Saturday nearest to January 31. As used herein, "2013" and "2011" refer to the 52-week periods ending February 1, 2014 and January 28, 2012, respectively. "2012" refers to the 53-week period ending February 2, 2013.

Basis of Consolidation

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

The Company accounts for investments in unconsolidated entities where it exercises significant influence, but does not have control, using the equity method. Under the equity method of accounting, the Company recognizes its share of the investee net income or loss. Losses are only recognized to the extent the Company has positive carrying value related to the investee. Carrying values are only reduced below zero if the Company has an obligation to provide funding to the investee. The Company's share of net income or loss of unconsolidated entities from which the Company purchases merchandise or merchandise components is included in Costs of Goods Sold, Buying and Occupancy on the Consolidated Statements of Income. The Company's share of net income or loss of all other unconsolidated entities is included in Other Income on the Consolidated Statements of Income. The Company's equity investments are required to be tested for impairment when it is determined there may be an other than temporary loss in value.

Third-party Apparel Sourcing Business

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

Express

In April 2011, the Company sold a portion of its remaining shares of common stock in Express in an Express secondary offering, which reduced the Company's ownership in Express from 14% to 8%. A gain was recognized upon the disposition of the shares. In April 2011, the Company also formally renounced its rights to its Express Board of Directors' seat. As a result, the Company changed its accounting for its investment in Express from the cost method to the available-for-sale method of accounting in the first quarter of 2011.

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

Cash and Cash Equivalents

Cash and Cash Equivalents include cash on hand, demand deposits with financial institutions and highly liquid investments with original maturities of less than 90 days. The Company's outstanding checks, which totaled $62 million as of February 1, 2014 and $59 million as of February 2, 2013, are included in Accounts Payable on the Consolidated Balance Sheets.

Concentration of Credit Risk

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

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

Inventories

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

The Company records valuation adjustments to its inventories if the cost of specific inventory items on hand exceeds the amount it expects to realize from the ultimate sale or disposal of the inventory. These estimates are based on management's judgment regarding future demand and market conditions and analysis of historical experience.

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

Advertising Costs

Advertising and catalogue costs are expensed at the time the promotion first appears in media or in the store or when the advertising is mailed. Advertising and catalogue costs totaled $452 million for 2013, $460 million for 2012 and $474 million for 2011.

Property and Equipment

The Company's property and equipment are recorded at cost and depreciation/amortization is computed on a straight-line basis using the following depreciable life ranges:

Category of Property and Equipment	Depreciable Life Range
Software, including software developed for internal use	3 - 7 years
Store related assets	3 - 10 years
Leasehold improvements	Shorter of lease term or 10 years
Non-store related building and site improvements	10 - 15 years
Other property and equipment	20 years
Buildings	30 years

When a decision has been made to dispose of property and equipment prior to the end of the previously estimated useful life, depreciation estimates are revised to reflect the use of the asset over the shortened estimated useful life. The Company's cost of assets sold or retired and the related accumulated depreciation are removed from the accounts with any resulting gain or loss included in net income. Maintenance and repairs are charged to expense as incurred. Major renewals and betterments that extend useful lives are capitalized.

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

Goodwill and Intangible Assets

The Company has certain intangible assets resulting from business combinations and acquisitions that are recorded at cost. Intangible assets with finite lives are amortized on a straight-line basis over their respective estimated useful lives ranging from 3 to 5 years.

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

Goodwill is reviewed for impairment each year in the fourth quarter and may be reviewed more frequently if certain events occur or circumstances change. First, pursuant to Accounting Standards Update ("ASU") No. 2011-08, *Testing Goodwill for Impairment* , the Company performs a qualitative assessment to determine whether it is more likely than not that each reporting unit's fair value is less than its carrying value, including goodwill. If the Company determines that it is more likely than not that the fair value of the reporting unit is less than its carrying value, the Company then estimates the fair value of all assets and liabilities of that reporting unit, including the implied fair value of goodwill, through either estimated discounted future cash flows or market-based methodologies. If the carrying value of goodwill exceeds the implied fair value, the Company recognizes an impairment charge equal to the difference. The Company's reporting units are determined in accordance with the provisions of Accounting Standards Codification ("ASC") Topic 350, *Intangibles—Goodwill and Other* . The Company's reporting units that have goodwill are Victoria's Secret Stores, Victoria's Secret Direct and Bath & Body Works.

Intangible assets with indefinite lives are reviewed for impairment each year in the fourth quarter and may be reviewed more frequently if certain events occur or circumstances change. First, pursuant to ASU No. 2012-02, *Testing Indefinite-Lived Intangible Assets for Impairment* , the Company performs a qualitative assessment to determine whether it is more likely than not that the indefinite-lived intangible asset is impaired. If the Company determines that it is more likely than not that the fair value of the asset is less than its carrying amount, the Company estimates the fair value, usually determined by the estimated discounted future cash flows of the asset, compares that value with its carrying amount and records an impairment charge, if any.

If future economic conditions are different than those projected by management, future impairment charges may be required.

Leases and Leasehold Improvements

The Company has leases that contain predetermined fixed escalations of minimum rentals and/or rent abatements subsequent to taking possession of the leased property. The Company recognizes the related rent expense on a straight-line basis commencing upon the store possession date. The Company records the difference between the recognized rental expense and amounts payable under the leases as deferred lease credits. The Company's liability for predetermined fixed escalations of minimum rentals and/or rent abatements totaled $131 million as of February 1, 2014 and $120 million as of February 2, 2013. These liabilities are included in Other Long-term Liabilities on the Consolidated Balance Sheets.

The Company receives construction allowances from landlords related to its retail stores. These allowances are generally comprised of cash amounts received by the Company from its landlords as part of the negotiated lease terms. The Company records a receivable and a landlord allowance at the lease commencement date (date of initial possession of the store). The landlord allowance is amortized on a straight-line basis as a reduction of rent expense over the term of the lease (including the pre-opening build-out period) and the receivable is reduced as amounts are received from the landlord. The Company's unamortized portion of landlord allowances, which totaled $181 million as of February 1, 2014 and $178 million as of February 2, 2013, is included in Other Long-term Liabilities on the Consolidated Balance Sheets.

The Company also has leasehold improvements which are amortized over the shorter of their estimated useful lives or the period from the date the assets are placed in service to the end of the initial lease term. Leasehold improvements made after the inception of the initial lease term are depreciated over the shorter of their estimated useful lives or the remaining lease term, including renewal periods, if reasonably assured.

Foreign Currency Translation

The functional currency of the Company's foreign operations is generally the applicable local currency. Assets and liabilities are translated into U.S. dollars using the current exchange rates in effect as of the balance sheet date, while revenues and expenses are translated at the average exchange rates for the period. The Company's resulting translation adjustments are recorded as a component of Comprehensive Income in the Consolidated Statements of Comprehensive Income and the Consolidated Statements of Total Equity (Deficit).

Derivative Financial Instruments

The Company uses derivative instruments designated as cash flow hedges or fair value hedges and non-designated derivative instruments to manage exposure to foreign currency exchange rates and interest rates. The Company does not use derivative financial instruments for trading purposes. All derivative financial instruments are recorded on the Consolidated Balance Sheets at fair value.

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income and reclassified into earnings in the same period during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings.

For derivative instruments that are designated and qualify as fair value hedges, the changes in the fair value of the derivative instrument have an equal and offsetting impact to the carrying value of the liability on the balance sheet.

For derivative instruments that are not designated as hedging instruments, the gain or loss on the derivative instrument is recognized in current earnings.

Fair Value

The authoritative guidance included in ASC Topic 820, *Fair Value Measurements and Disclosure,* defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. This authoritative guidance further establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

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

The Company estimates the fair value of financial instruments, property and equipment and goodwill and intangible assets in accordance with the provisions of ASC Topic 820.

Income Taxes

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

In determining the Company's provision for income taxes, it uses an annual effective income tax rate based on annual income, permanent differences between book and tax income and statutory income tax rates. The Company adjusts the annual effective income tax rate as additional information on outcomes or events becomes available. The Company's effective income tax rate is affected by items including changes in tax law, the tax jurisdiction of new stores or business ventures and the level of earnings.

The Company follows a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. The Company considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments and which may not accurately forecast actual outcomes.

The Company's income tax returns, like those of most companies, are periodically audited by domestic and foreign tax authorities. These audits include questions regarding the Company's tax filing positions, including the timing and amount of deductions and the allocation of income among various tax jurisdictions. At any one time, multiple tax years are subject to audit by the various tax authorities. A number of years may elapse before a particular matter for which the Company has established an accrual is audited and fully resolved or clarified. The Company adjusts its tax contingencies accrual and income tax provision in the period in which matters are effectively settled with tax authorities at amounts different from its established accrual, when the statute of limitations expires for the relevant taxing authority to examine the tax position or when more information becomes available. The Company includes its tax contingencies accrual, including accrued penalties and interest, in Other Long-term Liabilities on the Consolidated Balance Sheets unless the liability is expected to be paid within one year. Changes to the tax contingencies accrual, including accrued penalties and interest, are included in Provision for Income Taxes on the Consolidated Statements of Income.

Self Insurance

The Company is self-insured for medical, workers' compensation, property, general liability and automobile liability up to certain stop-loss limits. Such costs are accrued based on known claims and an estimate of incurred but not reported ("IBNR") claims. IBNR claims are estimated using historical claim information and actuarial estimates.

Noncontrolling Interest

Noncontrolling interest represents the portion of equity interests of consolidated affiliates not owned by the Company.

Share-based Compensation

The Company recognizes all share-based payments to employees and directors as compensation cost over the service period based on their estimated fair value on the date of grant.

Compensation cost is recognized over the service period for the fair value of awards that actually vest. Compensation expense for awards without a performance condition is recognized, net of estimated forfeitures, using a single award approach (each award is valued as one grant, irrespective of the number of vesting tranches). Compensation expense for awards with a performance condition is recognized, net of estimated forfeitures, using a multiple award approach (each vesting tranche is valued as one grant).

Revenue Recognition

The Company recognizes sales upon customer receipt of the merchandise, which for direct response revenues reflects an estimate of shipments that have not yet been received by the customer based on shipping terms and estimated delivery times. The Company's shipping and handling revenues are included in Net Sales with the related costs included in Costs of Goods Sold, Buying and Occupancy on the Consolidated Statements of Income. The Company also provides a reserve for projected merchandise returns based on prior experience. Net Sales exclude sales tax collected from customers.

The Company's brands sell gift cards with no expiration dates to customers. The Company does not charge administrative fees on unused gift cards. The Company recognizes income from gift cards when they are redeemed by the customer. In addition, the Company recognizes income on unredeemed gift cards when it can determine that the likelihood of the gift card being redeemed is remote and that there is no legal obligation to remit the unredeemed gift cards to relevant jurisdictions (gift card breakage). The Company determines the gift card breakage rate based on historical redemption patterns. Gift card breakage is included in Net Sales in the Consolidated Statements of Income.

The Company also recognizes revenues associated with franchise and wholesale arrangements. Revenue recognized under franchise arrangements generally consists of royalties earned upon sale of merchandise by franchisees to third-party customers. Revenue is generally recognized under wholesale arrangements at the time the title passes to the customer.

The Company recognizes revenue associated with merchandise sourcing and production services provided to third parties. Revenue is recognized at the time the title passes to the customer.

Costs of Goods Sold, Buying and Occupancy

The Company's costs of goods sold include merchandise costs, net of discounts and allowances, freight and inventory shrinkage. The Company's buying and occupancy expenses primarily include payroll, benefit costs and operating expenses for its buying departments and distribution network, rent, common area maintenance, real estate taxes, utilities, maintenance, fulfillment expenses and depreciation for the Company's stores, warehouse facilities and equipment.

General, Administrative and Store Operating Expenses

The Company's general, administrative and store operating expenses primarily include payroll and benefit costs for its store-selling and administrative departments (including corporate functions), marketing, advertising and other operating expenses not specifically categorized elsewhere in the Consolidated Statements of Income.

Use of Estimates in the Preparation of Financial Statements

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

2. Earnings Per Share

Earnings per basic share are computed based on the weighted-average number of outstanding common shares. Earnings per diluted share include the weighted-average effect of dilutive options and restricted stock on the weighted-average shares outstanding.

The following table provides shares utilized for the calculation of basic and diluted earnings per share for 2013, 2012 and 2011:

	2013	2012	2011
	(in millions)		
Weighted-average Common Shares:			
Issued Shares	306	302	323
Treasury Shares	(16)	(12)	(19)
Basic Shares	290	290	304
Effect of Dilutive Options and Restricted Stock	6	7	10
Diluted Shares	296	297	314
Anti-dilutive Options and Awards (a)	1	1	1

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

3. Divestitures

Third-party Apparel Sourcing Business

On October 31, 2011, the Company divested 51% of its ownership interest in its third-party apparel sourcing business to affiliates of Sycamore Partners for pre-tax cash proceeds of $124 million. The Company recorded a pre-tax gain on the divestiture of $111 million in the fourth quarter of 2011. For additional information, see Note 8, "Equity Investments and Other."

Express

During the period between April 2011 through July 2011, the Company completed the divestiture of its remaining 14% ownership in Express through the following transactions:

- In April 2011, the Company sold 5.5 million shares of its common stock in Express for $99 million, reducing its ownership interest to 8%. As a result, the Company recognized a pre-tax gain of $86 million.
- In July 2011, the Company contributed its remaining 7.2 million shares of common stock to The Limited Brands Foundation, reducing its ownership interest to 0%. At the time of the charitable contribution, the stock was worth $163 million. As a result of the contribution, the Company recognized a non-taxable gain of $147 million.

For additional information, see Note 8, "Equity Investments and Other."

4. Restructuring Activities

During the fourth quarter of 2011, the Company initiated a restructuring program designed to resize a portion of La Senza's store fleet and relocate its home office from Montreal, Canada to Columbus, Ohio. The Company recognized a pre-tax charge consisting of contract termination costs, severance and other costs of $24 million, including non-cash charges of $5 million, in the fourth quarter of 2011. The restructuring charges of $17 million and $7 million are included in Cost of Goods Sold, Buying and Occupancy and General, Administrative and Store Operating Expenses, respectively, on the 2011 Consolidated Statement of Income. In 2012, the Company made cash payments of $11 million and decreased the estimate of expected contract termination costs by $3 million related to this restructuring program. This $3 million change in estimate was included in Cost of Goods Sold, Buying and Occupancy on the 2012 Consolidated Statements of Income. During 2013, the Company made cash payments of $3 million and decreased the estimate of expected contract termination costs by an additional $1 million related to this restructuring program. The remaining balance of $1 million is included in Other Long-term Liabilities on the February 1, 2014 Consolidated Balance Sheet.

During the second quarter of 2012, the Company initiated a second restructuring program designed to further resize the La Senza store fleet. In 2012, the Company recognized a pre-tax charge of $17 million, including non-cash charges of $6 million. Restructuring charges of $16 million and $1 million are included in Cost of Goods Sold, Buying and Occupancy and General, Administrative and Store Operating Expenses, respectively, on the 2012 Consolidated Statement of Income. In 2012, the Company made cash payments of $5 million related to this restructuring program. During 2013, the Company made cash payments of $3 million and decreased the estimate of expected contract termination costs by $1 million related to this restructuring program. Of the remaining balance of $2 million, $1 million is included in Accrued Expenses and Other and $1 million is included in Other Long-term Liabilities on the February 1, 2014 Consolidated Balance Sheet.

5. Inventories

The following table provides details of inventories as of February 1, 2014 and February 2, 2013:

	February 1, 2014	February 2, 2013
	(in millions)	
Finished Goods Merchandise	$1,073	$ 916
Raw Materials and Merchandise Components	92	88
Total Inventories	$1,165	$1,004

6. Property and Equipment, Net

The following table provides details of property and equipment, net as of February 1, 2014 and February 2, 2013:

	February 1, 2014	February 2, 2013
	(in millions)	
Land	$ 58	$ 60
Buildings and Improvements	408	402
Furniture, Fixtures, Software and Equipment	2,984	2,715
Leasehold Improvements	1,534	1,359
Construction in Progress	117	186
Total	5,101	4,722
Accumulated Depreciation and Amortization	(3,056)	(2,919)
Property and Equipment, Net	$ 2,045	$ 1,803

Depreciation expense was $406 million in 2013, $386 million in 2012 and $387 million in 2011.

In the fourth quarter of 2012, the Company concluded that the continued negative operating results of the Henri Bendel business was an indicator of potential impairment for the Henri Bendel long-lived store assets. The Company calculated the impairment by comparing the estimated discounted cash flows at each store to its respective carrying value and recognized an impairment charge of $27 million. This impairment charge is included in Cost of Goods Sold, Buying and Occupancy on the 2012 Consolidated Statement of Income. Based on the evaluation performed in the fourth quarter of 2013, the Company concluded that no impairment charge was necessary in 2013. The carrying value of the Henri Bendel long-lived stores assets was $5 million and $6 million as of February 1, 2014 and February 2, 2013, respectively.

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

Goodwill

The following table provides the rollforward of goodwill for the fiscal years ended February 1, 2014 and February 2, 2013:

	Victoria's Secret	Bath & Body Works	Other	Total
		(in millions)		
Balance as of January 28, 2012	$690	$628	$ 12(a)	$1,330
Impairment	—	—	(12)	(12)
Balance as of February 2, 2013	690	628	—	1,318
Current period changes	—	—	—	—
Balance as of February 1, 2014	$690	$628	$ —	$1,318

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

The Company tests for goodwill impairment at the reporting unit level. The Company's reporting units with goodwill balances at February 1, 2014 were Victoria's Secret Stores, Victoria's Secret Direct and Bath & Body Works. Goodwill associated with the La Senza reporting unit was fully impaired at February 2, 2013.

Intangible Assets—Indefinite Lives

Intangible assets with indefinite lives represent the Victoria's Secret and Bath & Body Works trade names which are included in Trade Names and Other Intangible Assets, Net on the Consolidated Balance Sheets. The following table provides additional detail regarding the composition of trade names as of February 1, 2014 and February 2, 2013:

	February 1, 2014	February 2, 2013
	(in millions)	
Victoria's Secret	$246	$246
Bath & Body Works	165	165
Intangible Assets—Trade Names	$411	$411

Intangible Assets—Finite Lives

Intangible assets with finite lives represent certain trademarks and customer relationships. These assets totaled $1 million as of February 2, 2013 and were included in Trade Names and Other Intangible Assets, Net on the February 2, 2013 Consolidated Balance Sheets. These assets were fully amortized in 2013. Amortization expense was $1 million for 2013, $3 million for 2012 and $4 million for 2011.

Impairment Charges

La Senza

In conjunction with the January 2007 acquisition of La Senza, the Company recognized goodwill, intangible assets with indefinite lives and intangible assets with finite lives. These assets were included in the La Senza reporting unit which is included in Other in the Company's segment reporting.

2008

In the fourth quarter of 2008, the Company completed its annual impairment testing. During the latter half of 2008, La Senza's operating results were negatively impacted by the global economic downturn and the resulting impact on the Canadian retail environment as well as other factors. As part of the annual impairment evaluation, the Company assessed the recoverability of goodwill using a discounted cash flow methodology. The Company concluded that the carrying value of the La Senza goodwill exceeded the implied fair value based on the estimated fair value of the La Senza reporting unit. Accordingly, the Company recorded a goodwill impairment charge of $189 million. Prior to completing the goodwill impairment evaluation, the Company performed its annual impairment analysis for indefinite-lived trade names. Based on its evaluation using a relief from royalty and other discounted cash flow methodologies, the Company concluded that certain La Senza trade name assets were impaired. Accordingly, the Company recorded an impairment charge of $25 million to reduce the carrying value of these assets to their estimated fair values. The Company also recognized a $1 million impairment charge related to a finite lived trade name asset.

2009

In the fourth quarter of 2009, the Company made the decision to exit the La Senza Girl business and recorded an impairment charge of $3 million to write-off the La Senza Girl trade name and other minor trade names.

2011

In the fourth quarter of 2011, the Company completed its annual impairment testing. During 2011, La Senza's operating results failed to meet the Company's expectations, as both comparable store sales and gross profit were below the Company's beginning of year expectations especially in the critical fourth quarter holiday period. As part of the annual impairment evaluation, the Company assessed the recoverability of goodwill using a discounted cash flow methodology. The Company concluded that the carrying value of the La Senza goodwill exceeded the implied fair value based on the estimated fair value of the La Senza reporting unit. Accordingly, the Company recorded a goodwill impairment charge of $119 million. The goodwill impairment charge is included in Impairment of Goodwill and Other Intangible Assets on the 2011 Consolidated Statement of Income.

Prior to completing the goodwill impairment evaluation, the Company performed its annual impairment analysis for its indefinite-lived trade name. Based on its evaluation using relief from royalty and other discounted cash flow methodologies, the Company concluded that the La Senza trade name asset was impaired. Accordingly, the Company recorded an impairment charge of $112 million to reduce the carrying value of the trade name asset to its estimated fair value. The Company also recognized a $1 million impairment charge related to a lease-related intangible asset. These impairment charges are included in Impairment of Goodwill and Other Intangible Assets on the 2011 Consolidated Statement of Income.

2012

In the fourth quarter of 2012, the Company completed its annual impairment testing. During 2012, La Senza's operating results again failed to meet the Company's expectations, as both comparable store sales and gross profit were below our beginning of year expectations. As part of the annual impairment evaluation, the Company assessed the recoverability of goodwill using a discounted cash flow methodology. The Company concluded that the carrying value of the La Senza goodwill exceeded the implied fair value based on the estimated fair value of the La Senza reporting unit. Accordingly, the Company recorded a goodwill impairment charge of $12 million which fully impaired La Senza's remaining goodwill. The goodwill impairment charge is included in Impairment of Goodwill and Other Intangible Assets on the 2012 Consolidated Statement of Income.

Prior to completing the goodwill impairment evaluation, the Company performed its annual impairment analysis for its indefinite-lived trade name. Based on its evaluation using relief from royalty and other discounted cash flow methodologies, the Company concluded that the La Senza trade name asset was impaired. Accordingly, the Company recorded an impairment charge of $75 million to reduce the carrying value of the trade name asset to zero. The Company also recognized a $6 million impairment charge related to certain finite-lived customer relationship intangible assets. These impairment charges are included in Impairment of Goodwill and Other Intangible Assets on the 2012 Consolidated Statement of Income.

8. Equity Investments and Other

Third-party Apparel Sourcing Business

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

In conjunction with the transaction, the Company entered into transition services agreements whereby the Company is providing support in various operational areas including logistics, technology and finance. The terms of these transition services arrangements varied and ranged from two months to three years with the last one expiring in October 2014.

In the fourth quarter of 2012, the Company received a $28 million dividend from the third-party apparel sourcing business. This reduced the Company's carrying value in the investment. Of this dividend, $22 million is included in Return of Capital from Third-party Apparel Sourcing Business Investment within the Investing Activities section of the 2012 Consolidated Statement of Cash Flows and $6 million is included in Other Assets and Liabilities within the Operating Activities section of the 2012 Consolidated Statement of Cash Flows.

In 2013, the Company received $64 million in dividends from the third-party apparel sourcing business. These dividends reduced the Company's carrying value in the investment. Of these dividends, $46 million is included in Return of Capital from Third-party Apparel Sourcing Business Investment within the Investing Activities section of the 2013 Consolidated Statement of Cash Flows and $18 million is included in Other Assets and Liabilities within the Operating Activities section of the 2013 Consolidated Statement of Cash Flows.

The Company's carrying value for this investment was $3 million as of February 1, 2014 and $52 million as of February 2, 2013 and is included in Other Assets on the Consolidated Balance Sheets. The Company's share of net income (loss) from this investment is included in Other Income on the Consolidated Statements of Income.

Express

In July 2007, the Company completed the divestiture of 75% of its ownership interest in Express.

In 2010, Express completed an IPO and secondary offering and the Company's ownership interest was diluted from 25% to 14%. As a result, the Company changed its accounting for its investment in Express from the equity method to the cost method of accounting.

On April 12, 2011, the Company sold 5.5 million shares of its common stock in Express for $99 million. As a result, the Company's ownership interest was reduced from 14% to 8% and the Company recognized a pre-tax gain of $86 million, which is included in Other Income on the 2011 Consolidated Statement of Income. On April 21, 2011, the Company formally renounced its rights to its Express Board of Directors' seat. As a result, the Company commenced accounting for its investment in Express using the available-for-sale method of accounting in the first quarter of 2011.

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

The Company maintains agreements with Express whereby the Company continues to provide logistics services and lease office space. The Company's third-party apparel sourcing business, which the Company divested in the fourth quarter of 2011, provided merchandise sourcing services to Express. The Company recognized merchandise sourcing revenue from Express of $325 million in 2011.

Limited Stores

In August 2007, the Company completed the divestiture of 75% of its ownership interest in Limited Stores. In June 2010, the Company completed the divestiture of its remaining 25% ownership interest in Limited Stores and resigned its seats on Limited Stores' Board of Directors.

The Company maintains agreements with Limited Stores whereby the Company continues to provide logistics services. The Company's third-party apparel sourcing business, which the Company divested in the fourth quarter of 2011, provided merchandise sourcing services to Limited Stores. The Company recognized merchandise sourcing revenue from Limited Stores of $83 million in 2011.

Easton Investment

The Company has land and other investments in Easton, a 1,300 acre planned community in Columbus, Ohio that integrates office, hotel, retail, residential and recreational space. These investments, at cost, totaled $105 million as of February 1, 2014 and $75 million as of February 2, 2013 and are recorded in Other Assets on the Consolidated Balance Sheets. In the third quarter of 2012, the Company received $13 million in cash distributions from certain of the Company's investments in Easton which are included in Return of Capital from Easton Investments within the Investing Activities section on the 2012 Consolidated Statement of Cash Flow. The Company recognized a pre-tax gain of $13 million which is included in Other Income on the 2012 Consolidated Statements of Income.

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

9. Accrued Expenses and Other

The following table provides additional information about the composition of accrued expenses and other as of February 1, 2014 and February 2, 2013:

	February 1, 2014	February 2, 2013
	(in millions)	
Deferred Revenue, Principally from Gift Card Sales	$207	$202
Compensation, Payroll Taxes and Benefits	173	180
Interest	86	79
Taxes, Other Than Income	63	84
Accrued Claims on Self-insured Activities	37	37
Returns Reserve	29	28
Rent	24	26
Other	168	171
Total Accrued Expenses and Other	$787	$807

10. Income Taxes

The following table provides the components of the Company's provision for income taxes for 2013, 2012 and 2011:

	2013	2012	2011
		(in millions)	
Current:			
U.S. Federal	$407	$432	$357
U.S. State	90	67	46
Non-U.S.	28	18	11
Total	525	517	414
Deferred:			
U.S. Federal	11	14	6
U.S. State	3	4	1
Non-U.S.	4	(7)	(44)
Total	18	11	(37)
Provision for Income Taxes	$543	$528	$377

The Non-U.S. component of pre-tax income, arising principally from overseas operations, was income of $131 million for 2013, income of $1 million for 2012 and a loss of $37 million for 2011. The 2012 income included the impact of the $93 million impairment of goodwill and other intangible assets at La Senza. The 2011 loss included the impact of the $232 million impairment of goodwill and other intangible assets at La Senza as well as the Non-U.S. portion of the gain on the divestiture of the third-party apparel sourcing business of $105 million.

The 2011 Non-U.S. deferred benefit of $44 million is primarily the result of the reversal of a deferred tax liability associated with the La Senza trade name established upon the acquisition of La Senza.

The Company's income taxes payable has been reduced by the excesstax benefits from employee stock plan awards. For stock options, the Company receives an excess income tax benefit calculated as the tax effect of the difference between the fair market value of the stock at the time of grant and exercise. For restricted stock, the Company receives an excess income tax benefit calculated as the tax effect of the difference between the fair market value of the stock at the time of grant and vesting. The Company had net excess tax benefits from equity awards of $36 million, $116 million and $48 million in 2013, 2012 and 2011, respectively, which were reflected as increases to equity.

The following table provides the reconciliation between the statutory federal income tax rate and the effective tax rate for 2013, 2012 and 2011:

	2013	2012	2011
Federal Income Tax Rate	35.0%	35.0%	35.0%
State Income Taxes, Net of Federal Income Tax Effect	3.8%	4.0%	4.0%
Impact of Non-U.S. Operations	(1.4)%	1.1%	(2.2)%
Express Charitable Contribution	—%	—%	(5.0)%
Non-deductible Impairment of Goodwill and Other Intangible Assets	—%	2.4%	4.3%
Non-U.S. Portion of the Divestiture of Third-party Apparel Sourcing Business	—%	—%	(3.0)%
Other Items, Net	0.1%	(1.3)%	(2.4)%
Effective Tax Rate	37.5%	41.2%	30.7%

Deferred Taxes

The following table provides the effect of temporary differences that cause deferred income taxes as of February 1, 2014 and February 2, 2013. Deferred tax assets and liabilities represent the future effects on income taxes resulting from temporary differences and carryforwards at the end of the respective year.

	February 1, 2014			February 2, 2013		
	Assets	Liabilities	Total	Assets	Liabilities	Total
			(in millions)			
Leases	$ 46	$ —	$ 46	$ 43	$ —	$ 43
Non-qualified Retirement Plan	94	—	94	86	—	86
Property and Equipment	—	(219)	(219)	—	(190)	(190)
Goodwill	—	(15)	(15)	—	(15)	(15)
Trade Names and Other Intangibles	—	(139)	(139)	—	(138)	(138)
State Net Operating Loss Carryforwards	21	—	21	23	—	23
Non-U.S. Operating Loss Carryforwards	161	—	161	151	—	151
Valuation Allowance	(183)	—	(183)	(171)	—	(171)
Other, Net	71	—	71	67	—	67
Total Deferred Income Taxes	$ 210	$(373)	$(163)	$ 199	$(343)	$(144)

As of February 1, 2014, the Company had available for state income tax purposes net operating loss carryforwards which expire, if unused, in the years 2014 through 2033. The Company has analyzed the realization of the state net operating loss carryforwards on an individual state basis. For those states where the Company has determined that it is more likely than not that the state net operating loss carryforwards will not be realized, a valuation allowance has been provided for the deferred tax asset.

As of February 1, 2014, the Company had available for non-U.S. tax purposes net operating loss carryforwards which expire, if unused, in the years 2027 through 2033. The Company has determined that it is more likely than not that all of the net operating loss carryforwards will not be realized and a valuation allowance has been provided for the net deferred tax assets, including the net operating loss carryforwards, of the related tax loss entities.

As of February 1, 2014, accumulated undistributed earnings from non-U.S. subsidiaries are $113 million. Any unrecognized deferred income tax liability resulting from these foreign earnings is not expected to reverse in the foreseeable future; furthermore, the undistributed foreign earnings are permanently reinvested. If the Company elects to distribute these foreign earnings in the future, they could be subject to additional income taxes. Determination of the amount of any unrecognized deferred income tax liability on these undistributed foreign earnings is not practicable because such liability, if any, is dependent on circumstances existing if and when remittance occurs.

Income tax payments were $468 million for 2013, $336 million for 2012 and $400 million for 2011.

Uncertain Tax Positions

The following table summarizes the activity related to the Company's unrecognized tax benefits for U.S. federal, state & non-U.S. tax jurisdictions for 2013, 2012 and 2011, without interest and penalties:

	2013	2012	2011
	(in millions)		
Gross Unrecognized Tax Benefits, as of the Beginning of the Fiscal Year	$185	$146	$147
Increases in Unrecognized Tax Benefits for Prior Years	39	13	4
Decreases in Unrecognized Tax Benefits for Prior Years	(54)	(19)	(33)
Increases in Unrecognized Tax Benefits as a Result of Current Year Activity	37	52	45
Decreases to Unrecognized Tax Benefits Relating to Settlements with Taxing Authorities	(34)	(1)	(9)
Decreases to Unrecognized Tax Benefits as a Result of a Lapse of the Applicable Statute of Limitations	(6)	(6)	(8)
Gross Unrecognized Tax Benefits, as of the End of the Fiscal Year	$167	$185	$146

Of the $167 million, $185 million and $146 million of total unrecognized tax benefits at February 1, 2014, February 2, 2013, and January 28, 2012, respectively, approximately $143 million, $160 million and $131 million, respectively, represent the amount of unrecognized tax benefits that, if recognized, would favorably affect the effective income tax rate in future periods. These amounts are net of the offsetting tax effects from other tax jurisdictions.

Of the total unrecognized tax benefits, it is reasonably possible that $118 million could change in the next twelve months due to audit settlements, expiration of statute of limitations or other resolution of uncertainties. Due to the uncertain and complex application of tax regulations, it is possible that the ultimate resolution of audits may result in amounts which could be different from this estimate. In such case, the Company will record additional tax expense or tax benefit in the period in which such matters are effectively settled.

The Company recognizes interest and penalties related to unrecognized tax benefits as components of income tax expense. The Company recognized interest and penalties expense (benefit) of $4 million, $1 million and $(7) million in 2013, 2012, and 2011, respectively. The Company has accrued approximately $30 million and $26 million for the payment of interest and penalties as of February 1, 2014 and February 2, 2013, respectively. Accrued interest and penalties are included within Other Long-term Liabilities on the Consolidated Balance Sheets.

The Company files U.S. federal income tax returns as well as income tax returns in various states and in non-U.S. jurisdictions. At the end of 2013, the Company was subject to examination by the IRS for 2010 through 2012. The Company is also subject to various U.S. state and local income tax examinations for the years 2004 to 2012. Finally, the Company is subject to multiple non-U.S. tax jurisdiction examinations for the years 2003 to 2012. In some situations, the Company determines that it does not have a filing requirement in a particular tax jurisdiction. Where no return has been filed, no statute of limitations applies. Accordingly, if a tax jurisdiction reaches a conclusion that a filing requirement does exist, additional years may be reviewed by the tax authority. The Company believes it has appropriately accounted for uncertainties related to this issue.

11. Long-term Debt

The following table provides the Company's long-term debt balance as of February 1, 2014 and February 2, 2013:

	February 1, 2014	February 2, 2013
	(in millions)	
Senior Unsecured Debt with Subsidiary Guarantee		
$1 billion, 5.625% Fixed Interest Rate Notes due February 2022 ("2022 Notes")	$1,000	$1,000
$1 billion, 6.625% Fixed Interest Rate Notes due April 2021 ("2021 Notes")	1,000	1,000
$500 million, 5.625% Fixed Interest Rate Notes due October 2023 ("2023 Notes")	500	—
$500 million, 8.50% Fixed Interest Rate Notes due June 2019, Less Unamortized Discount ("2019 Notes") (a)	494	489
$400 million, 7.00% Fixed Interest Rate Notes due May 2020 ("2020 Notes")	400	400
Total Senior Unsecured Debt with Subsidiary Guarantee	$3,394	$2,889
Senior Unsecured Debt		
$700 million, 6.90% Fixed Interest Rate Notes due July 2017, Less Unamortized Discount ("2017 Notes") (b)	$ 718	$ 721
$350 million, 6.95% Fixed Interest Rate Debentures due March 2033, Less Unamortized Discount ("2033 Notes")	350	350
$300 million, 7.60% Fixed Interest Rate Notes due July 2037, Less Unamortized Discount ("2037 Notes")	299	299
5.25% Fixed Interest Rate Notes due November 2014, Less Unamortized Discount ("2014 Notes") (c)	215	218
Total Senior Unsecured Debt	$1,582	$1,588
Total	$4,976	$4,477
Current Portion of Long-term Debt	(215)	—
Total Long-term Debt, Net of Current Portion	$4,761	$4,477

(a) The balance as of February 1, 2014 includes a fair value interest rate hedge adjustment which increased the debt balance by $2 million.

(b) The balances include a fair value interest rate hedge adjustment which increased the debt balance by $19 million as of February 1, 2014 and $22 million as of February 2, 2013.

(c) The principal balance outstanding was $213 million as of both February 1, 2014 and February 2, 2013. The balances include a fair value interest rate hedge adjustment which increased the debt balance by $3 million as of February 1, 2014 and $5 million as of February 2, 2013.

The following table provides principal payments due on long-term debt in the next five fiscal years and the remaining years thereafter:

Fiscal Year (in millions)	
2014	$ 213
2015	—
2016	—
2017	700
2018	—
Thereafter	4,050

Cash paid for interest was $300 million in 2013, $276 million in 2012 and $225 million in 2011.

Issuance of Notes

In March 2011, the Company issued $1 billion of 6.625% notes due in April 2021 utilizing an existing shelf registration under which debt securities, common and preferred stock and other securities can be issued. The 2021 Notes are jointly and severally guaranteed on a full and unconditional basis by certain of the Company's 100% owned subsidiaries (such subsidiaries, the "Guarantors"). The proceeds from the issuance were $981 million, which were net of issuance costs of $19 million. These issuance costs are being amortized through the maturity date of April 2021 and are included within Other Assets on the Consolidated Balance Sheets.

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

In October 2013, the Company issued $500 million of 5.625% notes due in October 2023 utilizing an existing shelf registration under which debt securities, common and preferred stock and other securities can be issued. The 2023 Notes are jointly and severally guaranteed on a full and unconditional basis by the Guarantors. The proceeds from the issuance were $495 million, which were net of issuance costs of $5 million. These issuance costs are being amortized through the maturity date of October 2023 and are included within Other Assets on the February 1, 2014 Consolidated Balance Sheet.

Revolving Facility

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

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

The Revolving Facility contains fixed charge coverage and debt to EBITDA financial covenants. The Company is required to maintain a fixed charge coverage ratio of not less than 1.75 to 1.00 and a consolidated debt to consolidated EBITDA ratio not exceeding 4.00 to 1.00 for the most recent four-quarter period. In addition, the

Revolving Facility provides that investments and restricted payments may be made, without limitation on amount, if (a) at the time of and after giving effect to such investment or restricted payment the ratio of consolidated debt to consolidated EBITDA for the most recent four-quarter period is less than 3.00 to 1.00 and (b) no default or event of default exists. As of February 1, 2014, the Company was in compliance with both of its financial covenants and the ratio of consolidated debt to consolidated EBITDA was less than 3.00 to 1.00.

During the third quarter of 2013, the Company borrowed and repaid $290 million under the Revolving Facility. The maximum daily amount outstanding at any point in time during the third quarter of 2013 was $140 million.

As of February 1, 2014, there were no borrowings outstanding under the Revolving Facility.

Letters of Credit

The Revolving Facility supports the Company's letter of credit program. The Company had $8 million of outstanding letters of credit as of February 1, 2014 that reduce its remaining availability under the Revolving Facility.

Fair Value Interest Rate Swap Arrangements

For information related to the Company's fair value interest rate swap arrangements, see Note 12, "Derivative Instruments."

12. Derivative Instruments

Foreign Exchange Risk

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

The following table provides a summary of the fair value and balance sheet classification of the derivative financial instruments designated as foreign exchange cash flow hedges as of February 1, 2014 and February 2, 2013:

	February 1, 2014	**February 2, 2013**
	(in millions)	
Other Long-term Liabilities	$13	$59

The following table provides a summary of the pre-tax financial statement effect of the gains and losses on the Company's derivative instruments designated as foreign exchange cash flow hedges for 2013 and 2012:

	Location	**2013**	**2012**
		(in millions)	
Gain (Loss) Recognized in Other Comprehensive Income (Loss)	Other Comprehensive Income (Loss)	$ 46	$1
(Gain) Loss Reclassified from Accumulated Other Comprehensive Income into Other Income (a)	Other Income	(50)	5

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

Interest Rate Risk

Interest Rate Designated Fair Value Hedges

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

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

In August 2011, the Company terminated interest rate designated fair value hedges related to the 2014 Notes with a notional amount of $213 million. In settlement of these hedges, the Company received $9 million.

In September 2011, the Company terminated interest rate designated fair value hedges related to the 2017 Notes with a notional amount of $150 million. In settlement of these hedges, the Company received $12 million. In June 2012, the Company terminated the remaining interest rate designated fair value hedges related to the 2017 Notes with a notional amount of $175 million. In settlement of these hedges, the Company received $14 million.

Both the carrying values of the 2014 and 2017 Notes include unamortized hedge settlements which are amortized as a reduction to interest expense through the respective maturity date of the Notes.

The following table provides a summary of the fair value and balance sheet classification of the derivative financial instruments designated as interest rate fair value hedges as of February 1, 2014 and February 2, 2013:

	February 1, 2014	**February 2, 2013**
	(in millions)	
Other Assets	$5	$—

13. Fair Value Measurements

The following table provides a summary of the carrying value and fair value of long-term debt as of February 1, 2014 and February 2, 2013:

	February 1, 2014	**February 2, 2013**
	(in millions)	
Carrying Value	$4,976	$4,477
Fair Value (a)	5,333	5,023

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

The following table provides a summary of assets and liabilities measured in the consolidated financial statements at fair value on a recurring basis as of February 1, 2014 and February 2, 2013:

	Level 1	Level 2	Level 3	Total
		(in millions)		
As of February 1, 2014				
Assets:				
Cash and Cash Equivalents	$1,519	$ —	$ —	$1,519
Interest Rate Designated Fair Value Hedges	—	5	—	5
Liabilities:				
Cross-currency Cash Flow Hedges	—	13	—	13
Lease Guarantees	—	—	1	1
As of February 2, 2013				
Assets:				
Cash and Cash Equivalents	$ 773	$ —	$ —	$ 773
Liabilities:				
Cross-currency Cash Flow Hedges	—	59	—	59
Lease Guarantees	—	—	2	2

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

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

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

The following table provides a reconciliation of the Company's lease guarantees measured at fair value on a recurring basis using unobservable inputs (Level 3) for 2013 and 2012:

	2013	2012
	(in millions)	
Beginning Balance	$ 2	$ 4
Change in Estimated Fair Value Reported in Earnings	(1)	(2)
Ending Balance	$ 1	$ 2

The Company's lease guarantees include minimum rent and additional payments covering taxes, common area costs and certain other expenses and relate to leases that commenced prior to the disposition of certain businesses. The fair value of these lease guarantees is impacted by economic conditions, probability of rent obligation payments, period of obligation as well as the discount rate utilized. For additional information, see Note 16, "Commitments and Contingencies."

14. Comprehensive Income

Comprehensive Income consists of gains and losses on derivative instruments and foreign currency translation adjustments. The cumulative gains and losses on these items are included in Accumulated Other Comprehensive Income in the Consolidated Balance Sheets and Consolidated Statements of Shareholders' Equity (Deficit).

The following table provides the rollforward of accumulated other comprehensive income for 2013:

	Foreign Currency Translation	Cash Flow Hedges	Accumulated Other Comprehensive Income
		(in millions)	
Balance as of February 2, 2013	$(10)	$ 14	$ 4
Other Comprehensive Income Before Reclassifications	40	46	86
Amounts Reclassified from Accumulated Other Comprehensive Income	—	(50)	(50)
Current-period Other Comprehensive Income (Loss)	40	(4)	36
Balance as of February 1, 2014	30	10	40

The following table provides the rollforward of accumulated other comprehensive income for 2012:

	Foreign Currency Translation	Cash Flow Hedges	Accumulated Other Comprehensive Income
		(in millions)	
Balance as of January 28, 2012	$ (8)	$ 8	$—
Current-period Other Comprehensive Income (Loss)	(2)	6	4
Balance as of February 2, 2013	(10)	14	4

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

The following table provides a summary of the reclassification adjustments out of accumulated other comprehensive income for 2013:

Details About Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income	Location on Consolidated Statements of Income
Cash Flow Hedges	$(50)	Other Income
	—	Provision for Income Taxes
	(50)	Net Income

15. Leases

The Company is committed to noncancelable leases with remaining terms generally from one to ten years. A substantial portion of the Company's leases consist of store leases generally with an initial term of ten years. Annual store rent consists of a fixed minimum amount and/or contingent rent based on a percentage of sales exceeding a stipulated amount. Store lease terms generally require additional payments covering certain operating costs such as common area maintenance, utilities, insurance and taxes. These additional payments are excluded from the table below.

The following table provides rent expense for 2013, 2012 and 2011:

	2013	2012	2011
	(in millions)		
Store Rent:			
Fixed Minimum	$482	$453	$437
Contingent	59	60	50
Total Store Rent	541	513	487
Office, Equipment and Other	72	67	62
Gross Rent Expense	613	580	549
Sublease Rental Income	(2)	(2)	(3)
Total Rent Expense	$611	$578	$546

The following table provides the Company's minimum rent commitments under noncancelable operating leases in the next five fiscal years and the remaining years thereafter:

Fiscal Year (in millions) (a)	
2014	$ 559
2015	526
2016	478
2017	418
2018	338
Thereafter	1,371

(a) Excludes additional payments covering taxes, common area costs and certain other expenses generally required by store lease terms.

The Company's future sublease income under noncancelable subleases was $7 million as of February 1, 2014, which included $2 million of rent commitments related to disposed businesses under master lease arrangements.

16. Commitments and Contingencies

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

In July 2009, a complaint was filed against the Company for patent infringement in the United States District Court for the Eastern District of Texas. The complaint sought monetary damages, costs, attorneys' fees, and injunctive relief. In November 2011, a jury found in favor of the plaintiff and awarded damages of $9 million for infringement from 2007 through 2011 and the trial court awarded future royalty payments through 2015. In January 2013, the Company appealed the judgment against the Company with the Court of Appeals for the Federal Circuit. Shortly before the Company's appeal was filed, the Federal Court of Appeals ruled in another proceeding involving a different company, that the patents asserted in the Company's case were invalid. As a result, the Company's appeal has been stayed until the conclusion of the other proceeding. On January 14, 2014, the U.S. Supreme Court denied the plaintiff's petition to overturn the Federal Circuit's finding that their patents are invalid. In the Company's matter, although their patents were found to be invalid, the plaintiff has decided to move forward with the appeal process. Based on the decision that the plaintiff's patents are invalid and on the Company's other arguments, the Company believes the Federal Court of Appeals should grant the Company's appeal. The Company intends to vigorously defend against this action.

Guarantees

In connection with the disposition of certain businesses, the Company has remaining guarantees of approximately $43 million related to lease payments of Express, Limited Stores, Abercrombie & Fitch, Dick's Sporting Goods and New York & Company under the current terms of noncancelable leases expiring at various dates through 2018. These guarantees include minimum rent and additional payments covering taxes, common area costs and certain other expenses and relate to leases that commenced prior to the disposition of the businesses. In certain instances, the Company's guarantee may remain in effect if the term of a lease is extended.

The Company's guarantees related to Express, Limited Stores and New York & Company require fair value accounting in accordance with GAAP in effect at the time of these divestitures. The guaranteed lease payments related to Express, Limited Stores and New York & Company totaled $22 million as of February 1, 2014 and $36 million as of February 2, 2013. The estimated fair value of these guarantee obligations was $1 million as of February 1, 2014 and $2 million as of February 2, 2013, and is included in Other Long-term Liabilities on the Consolidated Balance Sheets.

The Company's guarantees related to Abercrombie & Fitch and Dick's Sporting Goods are not subject to fair value accounting, but require that a loss be accrued when probable and reasonably estimable based on GAAP in effect at the time of these divestitures. The Company had no liability recorded with respect to any of the guarantee obligations as it concluded that payments under these guarantees were not probable as of February 1, 2014 and February 2, 2013.

17. Retirement Benefits

The Company sponsors a tax-qualified defined contribution retirement plan and a non-qualified supplemental retirement plan for substantially all of its associates within the U.S. Participation in the tax-qualified plan is available to associates who meet certain age and service requirements. Participation in the non-qualified plan is available to associates who meet certain age, service, job level and compensation requirements.

The qualified plan permits participating associates to elect contributions up to the maximum limits allowable under the Internal Revenue Code. The Company matches associate contributions according to a predetermined formula and contributes additional amounts based on a percentage of the associates' eligible annual compensation and years of service. Associate contributions and Company matching contributions vest immediately. Additional Company contributions and the related investment earnings are subject to vesting based on years of service. Total expense recognized related to the qualified plan was $56 million for 2013, $55 million for 2012 and $51 million for 2011.

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

The following table provides the Company's annual activity for this plan and year-end liability, included in Other Long-term Liabilities on the Consolidated Balance Sheets, as of February 1, 2014 and February 2, 2013:

	February 1, 2014	February 2, 2013
	(in millions)	
Balance at Beginning of Year	$228	$214
Contributions:		
Associate	13	12
Company	11	12
Interest	11	12
Distributions	(20)	(22)
Balance at End of Year	$243	$228

Total expense recognized related to the non-qualified plan was $22 million for 2013, $24 million for 2012 and $26 million for 2011.

18. Shareholders' Equity (Deficit)

Common Stock Repurchases

Under the authority of the Company's Board of Directors, the Company repurchased shares of its common stock under the following repurchase programs during the fiscal years 2013, 2012 and 2011:

		Shares Repurchased			Amount Repurchased			Average Stock Price of Shares Repurchased within Program
Repurchase Program	Amount Authorized	2013	2012	2011	2013	2012	2011	
	(in millions)	(in thousands)			(in millions)			
November 2012 (a)	$250	1,377	245	NA	$ 63	$ 11	NA	$45.80
February 2012 (b)	500	NA	9,871	NA	NA	450	NA	45.61
November 2011	250	NA	3,657	2,116	NA	164	$ 85	44.90
May 2011	500	NA	NA	13,293	NA	NA	500	37.59
March 2011	500	NA	NA	13,695	NA	NA	500	36.49
November 2010 (c)	200	NA	NA	3,431	NA	NA	109	31.68
Total		1,377	13,773	32,535	$ 63	$625	$1,194	

(a) The November 2012 repurchase program had $176 million remaining as of February 1, 2014.

(b) The February 2012 repurchase program had $50 million remaining at the time it was cancelled in conjunction with the approval of the November 2012 repurchase program.

(c) The November 2010 repurchase program had $31 million remaining at the time it was cancelled in conjunction with the approval of the March 2011 repurchase program.

NA Not applicable

There were $3 million share repurchases reflected in Accounts Payable on the February 1, 2014 Consolidated Balance Sheet. There were no share repurchases reflected in Accounts Payable as of February 2, 2013.

Subsequent to February 1, 2014, the Company repurchased an additional 0.3 million shares of common stock for $15 million under the November 2012 repurchase program.

Dividends

Under the authority and declaration of the Board of Directors, the Company paid the following dividends during the fiscal years 2013, 2012 and 2011:

	Ordinary Dividends	Special Dividends	Total Dividends	Total Paid
		(per share)		(in millions)
2013				
Fourth Quarter	$0.30	$ —	$0.30	$ 88
Third Quarter	0.30	—	0.30	87
Second Quarter	0.30	—	0.30	87
First Quarter	0.30	—	0.30	87
2013 Total	$1.20	$ —	$1.20	$ 349
2012				
Fourth Quarter	$0.25	$3.00	$3.25	$ 942
Third Quarter	0.25	1.00	1.25	361
Second Quarter	0.25	—	0.25	73
First Quarter	0.25	—	0.25	73
2012 Total	$1.00	$4.00	$5.00	$1,449
2011				
Fourth Quarter	$0.20	$2.00	$2.20	$ 653
Third Quarter	0.20	—	0.20	60
Second Quarter	0.20	1.00	1.20	367
First Quarter	0.20	—	0.20	64
2011 Total	$0.80	$3.00	$3.80	$1,144

Subsequent to February 1, 2014, the Board of Directors declared an increase in the first quarter 2014 ordinary dividend from $0.30 to $0.34 per share and a special dividend of $1 per share. Both dividends, totaling $390 million, were paid on March 7, 2014 to shareholders of record at the close of business on February 21, 2014.

Treasury Stock Retirement

In December 2011, the Company retired 39 million shares of its treasury stock. The retirement resulted in a reduction of $1.341 billion in Treasury Stock, $19 million in the par value of Common Stock, $286 million in Paid-in Capital and $1.036 billion in Retained Earnings.

19. Share-based Compensation

Plan Summary

In 2011, the Company's shareholders approved the 2011 Stock Option and Performance Incentive Plan. The plan provides for the grant of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock, performance-based restricted stock, performance units and unrestricted shares. The Company grants stock options at a price equal to the fair market value of the stock on the date of grant. Stock options have a maximum term of ten years. Stock options generally vest ratably over 3 to 5 years. Restricted stock generally vests (the restrictions lapse) at the end of a three year period or on a graded basis over a five year period.

Under the Company's plan, approximately 143 million options, restricted and unrestricted shares have been authorized to be granted to employees and directors. Approximately 14 million options and shares were available for grant as of February 1, 2014.

From time to time the Company's Board of Directors will declare special dividends. For additional information, see Note 18, "Shareholders' Equity." In accordance with the anti-dilutive provisions of the stock plan, in these circumstances the Company adjusts both the exercise price and the number of share-based awards outstanding as of the record date of the special dividends. The aggregate fair value, the aggregate intrinsic value and the ratio of the exercise price to the market price are approximately equal immediately before and after the adjustments. Therefore, no compensation expense is recognized.

Stock Options

The following table provides the Company's stock option activity for the fiscal year ended February 1, 2014:

	Number of Shares	Weighted Average Option Price Per Share	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
	(in thousands)		(in years)	(in thousands)
Outstanding as of February 2, 2013	7,035	$23.16		
Granted	1,286	45.38		
Exercised	(1,928)	17.07		
Cancelled	(189)	40.36		
Outstanding as of February 1, 2014	6,204	$29.14	6.32	$144,078
Vested and Expected to Vest as of February 1, 2014 (a)	6,004	28.67	6.24	142,246
Options Exercisable as of February 1, 2014	3,232	18.23	4.39	110,323

(a) The number of options expected to vest includes an estimate of expected forfeitures.

Intrinsic value for stock options is the difference between the current market value of the Company's stock and the option strike price. The total intrinsic value of options exercised was $69 million for 2013, $133 million for 2012 and $100 million for 2011.

The total fair value at grant date of option awards vested was $10 million for 2013, $10 million for 2012 and $8 million for 2011.

The Company's total unrecognized compensation cost, net of estimated forfeitures, related to nonvested options was $19 million as of February 1, 2014. This cost is expected to be recognized over a weighted-average period of 2.7 years.

The weighted-average estimated fair value of stock options granted was $9.71 per share for 2013, $13.89 per share for 2012 and $9.35 per share for 2011.

Cash received from stock options exercised was $32 million for 2013, $53 million for 2012 and $75 million for 2011. Tax benefits realized from tax deductions associated with stock options exercised were $14 million for 2013, $42 million for 2012 and $34 million for 2011.

The Company uses the Black-Scholes option-pricing model for valuation of options granted to employees and directors. The Company's determination of the fair value of options is affected by the Company's stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, the Company's expected stock price volatility over the term of the awards and projected employee stock option exercise behaviors.

The following table contains the weighted-average assumptions used during 2013, 2012 and 2011:

	2013	2012	2011
Expected Volatility	35%	47%	48%
Risk-free Interest Rate	0.8%	1.0%	1.9%
Dividend Yield	3.4%	2.7%	4.1%
Expected Life (in years)	4.7	4.8	5.0

The majority of the Company's stock-based compensation awards are granted on an annual basis in the first quarter of each year. The expected volatility assumption is based on the Company's analysis of historical volatility. The risk-free interest rate assumption is based upon the average daily closing rates during the period for U.S. treasury notes that have a life which approximates the expected life of the option. The dividend yield assumption is based on the Company's history and expectation of dividend payouts in relation to the stock price at the grant date. The expected life of employee stock options represents the weighted-average period the stock options are expected to remain outstanding.

Restricted Stock

The following table provides the Company's restricted stock activity for the fiscal year ended February 1, 2014:

	Number of Shares	Weighted Average Grant Date Fair Value
	(in thousands)	
Unvested as of February 2, 2013	8,094	$28.13
Granted	2,004	42.56
Vested	(2,276)	17.79
Cancelled	(427)	35.31
Unvested as of February 1, 2014	7,395	34.82

The Company's total intrinsic value of restricted stock vested was $106 million for 2013, $257 million for 2012 and $83 million for 2011.

The Company's total fair value at grant date of awards vested was $40 million for 2013, $37 million for 2012 and $32 million for 2011. Fair value of restricted stock awards is based on the market value of an unrestricted share on the grant date adjusted for anticipated dividend yields.

As of February 1, 2014, there was $109 million of total unrecognized compensation cost, net of estimated forfeitures, related to unvested restricted stock. That cost is expected to be recognized over a weighted-average period of 2.5 years.

Tax benefits realized from tax deductions associated with restricted stock vested were $40 million for 2013, $90 million for 2012 and $31 million for 2011.

Income Statement Impact

The following table provides share-based compensation expense included in the Consolidated Statements of Income for 2013, 2012 and 2011:

	2013	2012	2011
	(in millions)		
Costs of Goods Sold, Buying and Occupancy	$22	$19	$14
General, Administrative and Store Operating Expenses	63	54	37
Total Share-based Compensation Expense	$85	$73	$51

Share-based compensation expense is based on awards that are ultimately expected to vest. The Company estimates forfeitures at the time of grant and adjusts, if necessary, in subsequent periods based on historical experience and expected future termination rates.

The tax benefit associated with recognized share-based compensation expense was $29 million for 2013, $25 million for 2012 and $17 million for 2011.

20. Segment Information

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

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

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

Other consists of the following:

- International retail, franchise, license and wholesale operations, which include the company-owned La Senza and Bath & Body Works stores in Canada and Victoria's Secret stores in Canada and the United Kingdom;
- Mast Global, a merchandise sourcing and production function serving the Company and its international partners;
- Henri Bendel, operator of 29 specialty stores, which feature accessories and personal care products; and
- Corporate functions including non-core real estate, equity investments and other governance functions such as treasury and tax.

The following table provides the Company's segment information as of and for the fiscal years ended February 1, 2014, February 2, 2013 and January 28, 2012:

	Victoria's Secret	Bath & Body Works	Other	Total
		(in millions)		
February 1, 2014				
Net Sales	$6,681	$2,932	$1,160	$10,773
Depreciation and Amortization	168	60	140	368
Operating Income (Loss)	1,132	618	(7)	1,743
Total Assets	2,681	1,297	3,220	7,198
Capital Expenditures	388	73	230	691
February 2, 2013				
Net Sales	$6,574	$2,902	$ 983	$10,459
Depreciation and Amortization	148	53	153	354
Operating Income (Loss) (a)	1,188	604	(219)	1,573
Total Assets	2,428	1,286	2,305	6,019
Capital Expenditures	268	71	249	588
January 28, 2012				
Net Sales	$6,121	$2,674	$1,569	$10,364
Depreciation and Amortization	142	52	162	356
Operating Income (Loss) (a)	1,081	513	(356)	1,238
Total Assets	2,346	1,273	2,489	6,108
Capital Expenditures	161	60	205	426

(a) Operating Loss for the Other segment includes the effect of the following items:

(i) In 2012, a $93 million impairment charge related to goodwill and other intangible assets for our La Senza business; a $27 million impairment charge related to long-lived store assets for our Henri Bendel business; and $14 million of expense associated with the store closure initiative at La Senza.

(ii) In 2011, a $232 million impairment charge related to goodwill and other intangible assets for our La Senza business; a $111 million gain related to the divestiture of 51% of our third-party apparel sourcing business; $163 million of expense related to the charitable contribution of our remaining shares of Express to The Limited Brands Foundation; and $24 million of restructuring expenses at La Senza.

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

The Company's international sales, consisting of La Senza, Victoria's Secret Canada, Bath & Body Works Canada and Victoria's Secret U.K. retail sales; non-U.S. franchise, license and wholesale operations; and direct sales shipped internationally, totaled $1.212 billion in 2013, $1.060 billion in 2012 and $943 million in 2011. The Company's internationally based long-lived assets were $280 million as of February 1, 2014 and $220 million as of February 2, 2013.

In the first quarter of 2014, the Company will change its reportable segments. Results from company-owned Victoria's Secret and Bath & Body Works stores in Canada will be reclassified from Other into the corresponding Victoria's Secret and Bath & Body Works segments. Additionally, a new segment called Victoria's Secret and Bath & Body Works International will be created and will include the Victoria's Secret and Bath & Body Works company-owned and franchised stores outside of North America.

21. Quarterly Financial Data (Unaudited)

The following table provides summarized quarterly financial data for 2013:

	Fiscal Quarter Ended			
	May 4, 2013	August 3, 2013	November 2, 2013	February 1, 2014
	(in millions except per share data)			
Net Sales	$2,268	$2,516	$2,171	$3,818
Gross Profit	941	989	857	1,642
Operating Income	311	358	211	863
Income Before Income Taxes	235	282	142	787
Net Income	143	178	92	490
Net Income Per Basic Share (a)	$ 0.49	$ 0.62	$ 0.32	$ 1.69
Net Income Per Diluted Share (a)	$ 0.48	$ 0.61	$ 0.31	$ 1.65

(a) Due to changes in stock prices during the year and timing of issuances and repurchases of shares, the cumulative total of quarterly net income per share amounts may not equal the net income per share for the year.

The following table provides summarized quarterly financial data for 2012:

	Fiscal Quarter Ended			
	April 28, 2012	July 28, 2012 (b)	October 27, 2012 (c)	February 2, 2013 (d)(e)
	(in millions except per share data)			
Net Sales	$2,154	$2,399	$2,050	$3,856
Gross Profit	902	942	825	1,717
Operating Income	293	305	187	788
Income Before Income Taxes	213	229	128	711
Net Income	125	143	74	411
Net Income Per Basic Share (a)	$ 0.43	$ 0.50	$ 0.26	$ 1.43
Net Income Per Diluted Share (a)	$ 0.41	$ 0.49	$ 0.25	$ 1.39

(a) Due to changes in stock prices during the year and timing of issuances and repurchases of shares, the cumulative total of quarterly net income per share amounts may not equal the net income per share for the year.

(b) Includes $4 million of expense associated with the store closure initiative at La Senza.

(c) Includes the effect of the following items:
   i. A pre-tax gain of $13 million related to $13 million in cash distributions from certain of our investments in Easton; and
   ii. A pre-tax expense of $10 million associated with the store closure initiative at La Senza.

(d) Includes the effect of the following items:
   (i) A pre-tax charge of $93 million related to the impairment of La Senza goodwill and other intangible assets; and
   (ii) A pre-tax charge of $27 million related to the impairment of Henri Bendel long-lived store assets.

(e) The Company utilizes the retail calendar for reporting. As such, the results for fiscal years 2013 and 2012 represent the 52-week period ended February 1, 2014 and 53-week period ended February 2, 2013, respectively. The 2013 fourth quarter consists of a thirteen week period versus a fourteen week period in 2012.

22. Subsequent Events

Subsequent to February 1, 2014, the Company repurchased an additional 0.3 million shares of common stock for $15 million under the November 2012 repurchase program. Additionally, the Company declared the first quarter ordinary dividend of $0.34 per share and a special dividend of $1 per share. The dividends totaled $390 million. For additional information, see Note 18, "Shareholders' Equity."

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

The Company is engaged in several projects designed to increase our speed and agility in producing products that satisfy our customers. In the case of our beauty, personal care and home fragrance businesses, the development of supplier facilities in close proximity to our headquarters and distribution facilities in central Ohio has been an integral part of capturing the many business benefits of speed and agility. The New Albany Company ("NACO"), a business beneficially owned by Mr. and Mrs. Wexner, is in the business of developing real estate, including industrial parks, and has sold land (and may in the future sell land) to certain vendors or third party developers in connection with the continuing development of an industrial park focused on the foregoing business categories (the "Beauty Park") in New Albany, Ohio. This matter was evaluated by the Audit Committee of the Board of Directors, which concluded that the underlying transactions were in the best interests of the Company and its stockholders generally. The Audit Committee continues to monitor such vendor and third party transactions on an ongoing basis.

In light of the Company's highly favorable experience with vendors at the Beauty Park and our growth plans for the beauty, personal care and home fragrance businesses, it was determined that new Company facilities required to achieve such projected growth should also be located as close as possible to the Beauty Park. The Company identified certain land owned by NACO that, together with certain other adjacent parcels owned by a number of third parties, constituted sufficient acreage in immediate proximity to the Beauty Park that would be suitable for this purpose. After review in accordance with our Related Person Transaction Policy, with advice from independent counsel and real estate appraisers and advisors, the Audit Committee, as well as all of the members of Board of Directors who are not affiliated with the Wexners, determined that the purchase of the NACO land for approximately $21 million, and the assumption from NACO of contracts to purchase the adjacent parcels directly from third parties for approximately $7 million, were in the best interests of the Company and its stockholders generally. This determination was made in reliance on, among other things, an opinion received from an independent financial advisor with specialized expertise in commercial real estate that such transaction was fair to the Company from a financial point of view.

23. Supplemental Guarantor Financial Information

The Company's 2019 Notes, 2020 Notes, 2021 Notes, 2022 Notes and 2023 Notes are jointly and severally guaranteed on a full and unconditional basis by certain of the Company's 100% owned subsidiaries. The Company is a holding company and its most significant assets are the stock of its subsidiaries. The Guarantors represent: (a) substantially all of the sales of the Company's domestic subsidiaries, (b) more than 90% of the assets owned by the Company's domestic subsidiaries, other than real property, certain other assets and intercompany investments and balances, and (c) more than 95% of the accounts receivable and inventory directly owned by the Company's domestic subsidiaries.

The following supplemental financial information sets forth for the Company and its guarantor and non-guarantor subsidiaries: the Condensed Consolidating Balance Sheets as of February 1, 2014 and February 2, 2013 and the Condensed Consolidating Statements of Income, Comprehensive Income and Cash Flows for the years ended February 1, 2014, February 2, 2013 and January 28, 2012.

L BRANDS, INC.

CONDENSED CONSOLIDATING BALANCE SHEET

(in millions)

	February 1, 2014				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ —	$ 1,353	$ 166	$ —	$1,519
Accounts Receivable, Net	—	173	71	—	244
Inventories	—	966	199	—	1,165
Deferred Income Taxes	—	44	(16)	—	28
Other	—	105	89	—	194
Total Current Assets	—	2,641	509	—	3,150
Property and Equipment, Net	—	1,197	848	—	2,045
Goodwill	—	1,318	—	—	1,318
Trade Names and Other Intangible Assets, Net	—	411	—	—	411
Net Investments in and Advances to/from Consolidated Affiliates	4,468	14,065	1,099	(19,632)	—
Other Assets	186	19	680	(611)	274
Total Assets	$4,654	$19,651	$3,136	$(20,243)	$7,198
LIABILITIES AND EQUITY (DEFICIT)					
Current Liabilities:					
Accounts Payable	$ 3	$ 316	$ 280	$ —	$ 599
Accrued Expenses and Other	86	410	291	—	787
Current Portion of Long-term Debt	215	—	—	—	215
Income Taxes	(1)	176	50	—	225
Total Current Liabilities	303	902	621	—	1,826
Deferred Income Taxes	(4)	(27)	241	—	210
Long-term Debt	4,761	597	—	(597)	4,761
Other Long-term Liabilities	3	581	201	(15)	770
Total Equity (Deficit)	(409)	17,598	2,073	(19,631)	(369)
Total Liabilities and Equity (Deficit)	$4,654	$19,651	$3,136	$(20,243)	$7,198

L BRANDS, INC.

CONDENSED CONSOLIDATING BALANCE SHEET

(in millions)

	February 2, 2013				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ —	$ 417	$ 356	$ —	$ 773
Accounts Receivable, Net	—	140	63	—	203
Inventories	—	847	157	—	1,004
Deferred Income Taxes	—	39	(10)	—	29
Other	2	117	77	—	196
Total Current Assets	2	1,560	643	—	2,205
Property and Equipment, Net	—	1,001	802	—	1,803
Goodwill	—	1,318	—	—	1,318
Trade Names and Other Intangible Assets, Net	—	411	1	—	412
Net Investments in and Advances to/from Consolidated Affiliates	3,348	13,968	624	(17,940)	—
Other Assets	188	8	696	(611)	281
Total Assets	$ 3,538	$18,266	$2,766	$(18,551)	$ 6,019
LIABILITIES AND EQUITY (DEFICIT)					
Current Liabilities:					
Accounts Payable	$ —	$ 291	$ 250	$ —	$ 541
Accrued Expenses and Other	78	425	304	—	807
Income Taxes	1	134	55	—	190
Total Current Liabilities	79	850	609	—	1,538
Deferred Income Taxes	(4)	(9)	213	—	200
Long-term Debt	4,477	597	—	(597)	4,477
Other Long-term Liabilities	4	625	204	(15)	818
Total Equity (Deficit)	(1,018)	16,203	1,740	(17,939)	(1,014)
Total Liabilities and Equity (Deficit)	$ 3,538	$18,266	$2,766	$(18,551)	$ 6,019

L BRANDS, INC.

CONDENSED CONSOLIDATING STATEMENT OF INCOME

(in millions)

	2013				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Sales	$ —	$ 9,878	$ 3,441	$(2,546)	$10,773
Costs of Goods Sold, Buying and Occupancy	—	(6,022)	(2,754)	2,432	(6,344)
Gross Profit	—	3,856	687	(114)	4,429
General, Administrative and Store Operating Expenses	(5)	(2,369)	(428)	116	(2,686)
Operating Income (Loss)	(5)	1,487	259	2	1,743
Interest Expense	(314)	(28)	(11)	39	(314)
Other Income (Loss)	—	—	17	—	17
Income (Loss) Before Income Taxes	(319)	1,459	265	41	1,446
Provision (Benefit) for Income Taxes	—	305	238	—	543
Equity in Earnings, Net of Tax	1,222	179	450	(1,851)	—
Net Income (Loss)	$ 903	$ 1,333	$ 477	$(1,810)	$ 903

L BRANDS, INC.

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME

(in millions)

	2013				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Income (Loss)	$903	$1,333	$477	$(1,810)	$903
Other Comprehensive Income (Loss), Net of Tax:					
Reclassification of Cash Flow Hedges to Earnings	—	—	(50)	—	(50)
Foreign Currency Translation	—	—	40	—	40
Unrealized Gain (Loss) on Cash Flow Hedges	—	—	46	—	46
Total Other Comprehensive Income (Loss), Net of Tax	—	—	36	—	36
Total Comprehensive Income	$903	$1,333	$513	$(1,810)	$939

L BRANDS, INC.

CONDENSED CONSOLIDATING STATEMENT OF INCOME

(in millions)

	2012				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Sales	$ —	$ 9,570	$ 2,954	$(2,065)	$10,459
Costs of Goods Sold, Buying and Occupancy	—	(5,578)	(2,464)	1,969	(6,073)
Gross Profit	—	3,992	490	(96)	4,386
General, Administrative and Store Operating Expenses	(5)	(2,405)	(403)	93	(2,720)
Impairment of Goodwill and Other Intangible Assets	—	—	(93)	—	(93)
Operating Income (Loss)	(5)	1,587	(6)	(3)	1,573
Interest Expense	(316)	(22)	(10)	32	(316)
Other Income (Loss)	—	1	23	—	24
Income (Loss) Before Income Taxes	(321)	1,566	7	29	1,281
Provision (Benefit) for Income Taxes	—	359	169	—	528
Equity in Earnings, Net of Tax	1,074	(125)	432	(1,381)	—
Net Income (Loss)	$ 753	$ 1,082	$ 270	$(1,352)	$ 753

L BRANDS, INC.

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME

(in millions)

	2012				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Income (Loss)	$753	$1,082	$270	$(1,352)	$753
Other Comprehensive Income (Loss), Net of Tax:					
Reclassification of Cash Flow Hedges to Earnings	2	—	3	—	5
Foreign Currency Translation	—	—	(2)	—	(2)
Unrealized Gain (Loss) on Cash Flow Hedges	—	—	1	—	1
Total Other Comprehensive Income (Loss), Net of Tax	2	—	2	—	4
Total Comprehensive Income	$755	$1,082	$272	$(1,352)	$757

L BRANDS, INC.

CONDENSED CONSOLIDATING STATEMENT OF INCOME

(in millions)

	2011				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Sales	$ —	$ 9,570	$ 3,334	$(2,540)	$10,364
Costs of Goods Sold, Buying and Occupancy	—	(5,943)	(2,782)	2,418	(6,307)
Gross Profit	—	3,627	552	(122)	4,057
General, Administrative and Store Operating Expenses	(5)	(2,297)	(517)	121	(2,698)
Impairment of Goodwill and Other Intangible Assets	—	—	(232)	—	(232)
Gain on Divestiture of Third-party Apparel Sourcing Business	—	6	105	—	111
Operating Income (Loss)	(5)	1,336	(92)	(1)	1,238
Interest Expense	(245)	(25)	(12)	36	(246)
Other Income (Loss)	—	1	234	—	235
Income (Loss) Before Income Taxes	(250)	1,312	130	35	1,227
Provision (Benefit) for Income Taxes	2	324	51	—	377
Equity in Earnings, Net of Tax	1,102	108	217	(1,427)	—
Net Income (Loss)	$ 850	$ 1,096	$ 296	$(1,392)	$ 850

L BRANDS, INC.

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME

(in millions)

	2011				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Income (Loss)	$850	$1,096	$296	$(1,392)	$850
Other Comprehensive Income (Loss), Net of Tax:					
Reclassification of Cash Flow Hedges to Earnings	3	—	—	—	3
Foreign Currency Translation	—	—	(1)	—	(1)
Unrealized Gain (Loss) on Cash Flow Hedges	—	—	(3)	—	(3)
Total Other Comprehensive Income (Loss), Net of Tax	3	—	(4)	—	(1)
Total Comprehensive Income	$853	$1,096	$292	$(1,392)	$849

L BRANDS, INC.

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

(in millions)

	2013				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Cash Provided by (Used for) Operating Activities	$(302)	$1,267	$ 283	$—	$1,248
Investing Activities:					
Capital Expenditures	—	(475)	(216)	—	(691)
Return of Capital from Third-party Apparel Sourcing Business Investment	—	—	46	—	46
Other Investing Activities	—	—	(10)	—	(10)
Net Cash Used for Investing Activities	—	(475)	(180)	—	(655)
Financing Activities:					
Proceeds from Long-term Debt, Net of Issuance and Discount Costs	495	—	—	—	495
Borrowings from Revolving Facility	290	—	—	—	290
Repayments on Revolving Facility	(290)	—	—	—	(290)
Repurchase of Common Stock	(60)	—	—	—	(60)
Dividends Paid	(349)	—	—	—	(349)
Excess Tax Benefits from Share-based Compensation	—	31	5	—	36
Net Financing Activities and Advances to/from Consolidated Affiliates	184	113	(297)	—	—
Proceeds From Exercise of Stock Options and Other	32	—	—	—	32
Net Cash Provided by (Used for) Financing Activities	302	144	(292)	—	154
Effects of Exchange Rate Changes on Cash	—	—	(1)	—	(1)
Net Increase (Decrease) in Cash and Cash Equivalents	—	936	(190)	—	746
Cash and Cash Equivalents, Beginning of Year	—	417	356	—	773
Cash and Cash Equivalents, End of Year	$ —	$1,353	$ 166	$—	$1,519

L BRANDS, INC.

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

(in millions)

	2012				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Cash Provided by (Used for) Operating Activities	$ (361)	$ 1,342	$ 370	$ —	$ 1,351
Investing Activities:					
Capital Expenditures	—	(344)	(244)	—	(588)
Return of Capital from Third-party Apparel Sourcing Business Investment	—	—	22	—	22
Return of Capital from Easton Investments	—	—	13	—	13
Net Investments in Consolidated Affiliates	—	36	—	(36)	—
Other Investing Activities	—	17	5	—	22
Net Cash Provided by (Used for) Investing Activities	—	(291)	(204)	(36)	(531)
Financing Activities:					
Proceeds from Long-term Debt, Net of Issuance and Discount Costs	985	—	—	—	985
Payments of Long-term Debt	(57)	—	—	—	(57)
Repurchase of Common Stock	(629)	—	—	—	(629)
Dividends Paid	(1,449)	—	—	—	(1,449)
Excess Tax Benefits from Share-based Compensation	—	95	21	—	116
Net Financing Activities and Advances to/from Consolidated Affiliates	1,459	(1,100)	(395)	36	—
Proceeds From Exercise of Stock Options and Other	52	—	—	—	52
Net Cash Provided by (Used for) Financing Activities	361	(1,005)	(374)	36	(982)
Effects of Exchange Rate Changes on Cash	—	—	—	—	—
Net Increase (Decrease) in Cash and Cash Equivalents	—	46	(208)	—	(162)
Cash and Cash Equivalents, Beginning of Year	—	371	564	—	935
Cash and Cash Equivalents, End of Year	$ —	$ 417	$ 356	$ —	$ 773

L BRANDS, INC.

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

(in millions)

	2011				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Cash Provided by (Used for) Operating Activities	$ (178)	$ 1,225	$ 219	$ —	$ 1,266
Investing Activities:					
Capital Expenditures	—	(219)	(207)	—	(426)
Proceeds from Divestiture of Third-party Apparel Sourcing Business	—	78	46	—	124
Proceeds from Sale of Express Common Stock	—	—	99	—	99
Net Investments in Consolidated Affiliates	—	(36)	—	36	—
Other Investing Activities	—	—	(23)	—	(23)
Net Cash Provided by (Used for) Investing Activities	—	(177)	(85)	36	(226)
Financing Activities:					
Proceeds from Long-term Debt, Net of Issuance and Discount Costs	981	—	—	—	981
Financing Costs	(7)	—	—	—	(7)
Repurchase of Common Stock	(1,190)	—	—	—	(1,190)
Dividends Paid	(1,144)	—	—	—	(1,144)
Excess Tax Benefits from Share-based Compensation	—	39	9	—	48
Net Financing Activities and Advances to/from Consolidated Affiliates	1,463	(1,417)	(10)	(36)	—
Proceeds From Exercise of Stock Options and Other	75	—	—	—	75
Net Cash Provided by (Used for) Financing Activities	178	(1,378)	(1)	(36)	(1,237)
Effects of Exchange Rate Changes on Cash	—	—	2	—	2
Net Increase (Decrease) in Cash and Cash Equivalents	—	(330)	135	—	(195)
Cash and Cash Equivalents, Beginning of Year	—	701	429	—	1,130
Cash and Cash Equivalents, End of Year	$ —	$ 371	$ 564	$ —	$ 935

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

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of disclosure controls and procedures. As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of the end of the period covered by this report, our disclosure controls and procedures were effective and designed to ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (2) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting. Management's Report on Internal Control Over Financial Reporting as of February 1, 2014 is set forth in Item 8. Financial Statements and Supplementary Data.

Attestation Report of the Registered Public Accounting Firm. The Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting as of February 1, 2014 is set forth in Item 8. Financial Statements and Supplementary Data.

Changes in internal control over financial reporting. There were no changes in our internal control over financial reporting that occurred in the fourth quarter 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Information regarding our directors is set forth under the captions “ELECTION OF DIRECTORS—Nominees and Directors”, “—Director Independence”, “—Board Leadership Structure”, “—Risk Oversight; Certain Compensation Matters”, “—Information Concerning the Board of Directors”, “—Committees of the Board of Directors”, “—Meetings of the Company’s Non-Management Directors”, “—Communications with the Board”, “—Attendance at Annual Meetings”, “—Code of Conduct and Related Person Transaction Policy”, “—Copies of the Company’s Code of Conduct, Corporate Governance Principles and Related Person Transaction Policy and Committee Charters”, and “SECURITY OWNERSHIP OF DIRECTORS AND MANAGEMENT” in the Proxy Statement and is incorporated herein by reference. Information regarding compliance with Section 16(a) of the Securities Exchange Act of 1934, as amended, is set forth under the caption “SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE” in the Proxy Statement and is incorporated herein by reference. Information regarding executive officers is set forth herein under the caption “EXECUTIVE OFFICERS OF REGISTRANT” in Part I.

ITEM 11. EXECUTIVE COMPENSATION.

Information regarding executive compensation is set forth under the caption “COMPENSATION-RELATED MATTERS” in the Proxy Statement and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Information regarding the security ownership of certain beneficial owners and management is set forth under the captions “SECURITY OWNERSHIP OF DIRECTORS AND MANAGEMENT” in the Proxy Statement and “SHARE OWNERSHIP OF PRINCIPAL STOCKHOLDERS” in the Proxy Statement and is incorporated herein by reference.

The following table summarizes share and exercise price information about L Brands’ equity compensation plans as of February 1, 2014.

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plan (excluding securities reflected in column (a))
Equity compensation plans approved by security holders (1)	14,386,829	$29.14(2)	13,921,656
Equity compensation plans not approved by security holders	—	—	—
Total	14,386,829	$29.14	13,921,656

(1) Includes the following plans: L Brands, Inc. 2011 Stock Option and Performance Incentive Plan and L Brands, Inc. 1993 Stock Option and Performance Incentive Plan (2009 restatement).

(2) Does not include outstanding rights to receive Common Stock upon the vesting of restricted shares awards.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Information regarding certain relationships and related transactions is set forth under the caption “ELECTION OF DIRECTORS—Nominees and Directors” and “—Director Independence” in the Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Information regarding principal accountant fees and services is set forth under the captions “INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS—Audit Fees”, “—Audit Related Fees”, “—Tax Fees”, “—All Other Fees” and “—Pre-approval Policies and Procedures” in the Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) (1) Consolidated Financial Statements

The following consolidated financial statements of L Brands, Inc. are filed as part of this report under Item 8. Financial Statements and Supplementary Data:

Management's Report on Internal Control Over Financial Reporting

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

Report of Independent Registered Public Accounting Firm on Consolidated Financial Statements

Consolidated Statements of Income for the Years Ended February 1, 2014, February 2, 2013 and January 28, 2012

Consolidated Statements of Comprehensive Income for the Years Ended February 1, 2014, February 2, 2013 and January 28, 2012

Consolidated Balance Sheets as of February 1, 2014 and February 2, 2013

Consolidated Statements of Total Equity (Deficit) for the Years Ended February 1, 2014, February 2, 2013 and January 28, 2012

Consolidated Statements of Cash Flows for the Years Ended February 1, 2014, February 2, 2013 and January 28, 2012

Notes to Consolidated Financial Statements

(a) (2) Financial Statement Schedules

Schedules have been omitted because they are not required or are not applicable or because the information required to be set forth therein either is not material or is included in the financial statements or notes thereto.

(a) (3) List of Exhibits

3. Articles of Incorporation and Bylaws.

3.1 Restated Certificate of Incorporation of the Company.

3.2 Amended and Restated Bylaws of the Company incorporated by reference to Exhibit 3.2 to the Company's Form 8-K dated March 22, 2013.

4. Instruments Defining the Rights of Security Holders.

4.1 Conformed copy of the Indenture dated as of March 15, 1988 between the Company and The Bank of New York, incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3 (File no. 333-105484) dated May 22, 2003.

4.2 Proposed form of Debt Warrant Agreement for Warrants attached to Debt Securities, with proposed form of Debt Warrant Certificate incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-3 (File no. 33-53366) originally filed with the Securities and Exchange Commission (the "SEC") on October 16, 1992, as amended by Amendment No. 1 thereto, filed with the SEC on February 23, 1993 (the "1993 Form S-3").

4.3 Proposed form of Debt Warrant Agreement for Warrants not attached to Debt Securities, with proposed form of Debt Warrant Certificate incorporated by reference to Exhibit 4.3 to the 1993 Form S-3.

4.4 Indenture, dated as of February 19, 2003 between the Company and The Bank of New York, incorporated by reference to Exhibit 4 to the Company's Registration Statement on Form S-4 (File no. 333-104633) dated April 18, 2003.

4.5 First Supplemental Indenture dated as of May 31, 2005 among the Company, The Bank of New York and The Bank of New York Trust Company, N.A. incorporated by reference to Exhibit 4.1.2 to the Company's Registration Statement on Form S-3 (Reg. No. 333-125561) filed June 6, 2005.

4.6 Second Supplemental Indenture dated as of July 17, 2007 between the Company and The Bank of New York Trust Company, N.A. incorporated by reference to Exhibit 4.1.4 to the Company's Registration Statement on Form S-3 (Reg. No. 333-146420) filed October 1, 2007.

4.7 Indenture, dated as of June 19, 2009, among the Company, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee, incorporated by reference to Exhibit 4.1 to the Company's Form 8-K dated June 24, 2009.

4.8 Registration Rights Agreement, dated as of June 19, 2009, among the Company, the guarantors named therein and J.P. Morgan Securities Inc., as representative of the initial purchasers, incorporated by reference to Exhibit 4.2 to the Company's Form 8-K dated June 24, 2009.

4.9 Third Supplemental Indenture dated as of May 4, 2010 between the Company, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A. incorporated by reference to Exhibit 4.1.4 to the Company's Registration Statement on Form S-3 (Reg. No. 333-170406) filed on November 5, 2010.

4.10 Amendment and Restatement Agreement, dated as of July 15, 2011, among the Company, the Lenders party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent, under the Amended and Restated Five-Year Revolving Credit Agreement dated as of October 6, 2004, as amended and restated as of November 5, 2004, March 22, 2006, August 3, 2007, February 19, 2009 and March 8, 2010, incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 30, 2011.

4.11 Fourth Supplemental Indenture dated as of January 29, 2011 between the Company, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A. incorporated by reference to Exhibit 4.1.5 to the post-effective amendment to the Company's Registration Statement on Form S-3 (Reg. No. 333-170406) filed on March 22, 2011.

4.12 Form of Fifth Supplemental Indenture dated as of March 25, 2011 between the Company, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A. incorporated by reference to Exhibit 4.1.6 to the post-effective amendment to the Company's Registration Statement on Form S-3 (Reg. No. 333-170406) filed on March 22, 2011.

4.13 Sixth Supplemental Indenture dated as of February 7, 2012 among the Company, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended April 28, 2012.

4.14 Seventh Supplemental Indenture dated as of March 22, 2013 between the Company, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., incorporated by reference to Exhibit 4.1.8 to the Company's Registration Statement on Form S-3 (Reg. No. 333-191968) filed on October 29, 2013.

4.15 Eighth Supplemental Indenture dated as of October 16, 2013 between the Company, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., incorporated by reference to Exhibit 4.1.9 to the Company's Registration Statement on Form S-3 (Reg. No. 333-191968) filed on October 29, 2013.

10. Material Contracts.

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

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

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

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

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

10.6 The Company's 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.**

10.7 The Company's Incentive Compensation Performance Plan incorporated by reference to Exhibit A to the Company's Proxy Statement dated April 14, 1997.**

10.8 Agreement dated as of May 3, 1999 among the Company, 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.

10.9 The 1998 Restatement of the Company's 1993 Stock Option and Performance Incentive Plan incorporated by reference to Exhibit A to the Company's Proxy Statement dated April 20, 1998.**

10.10 The 2002 Restatement of the Company's 1993 Stock Option and Performance Incentive Plan, incorporated by reference to Exhibit 10.23 to the Company's Annual Report on Form 10-K for the fiscal year ended February 1, 2003.**

10.11 The Company's Stock Award and Deferred Compensation Plan for Non-Associate Directors incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8 (File No. 333-110465) dated November 13, 2003.**

10.12 The Company's 1993 Stock Option and Performance Incentive Plan (2003 Restatement) incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-8 (File No. 333-110465) dated November 13, 2003.**

10.13 The Company's 1993 Stock Option and Performance Incentive Plan (2004 Restatement) incorporated by reference to Appendix A to the Company's Proxy Statement dated April 14, 2004.**

10.14 Employment Agreement dated as of January 17, 2005 among the Company, The Limited Service Corporation and Martyn Redgrave incorporated by reference to Exhibit 10.1 to the Company's Form 8-K dated January 19, 2005.**

10.15 The Company's Stock Option Award Agreement incorporated by reference to Exhibit 10.29 to the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 2005.**

10.16 Form of Stock Ownership Guideline incorporated by reference to Exhibit 10.32 to the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 2005.**

10.17 Employment Agreement dated as of November 24, 2006 among the Company, Victoria's Secret Direct, LLC, and Sharen Jester Turney incorporated by reference to Exhibit 10.28 to the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2007.**

10.18 Employment Agreement effective as of April 9, 2007 among the Company and Stuart Burgdoerfer incorporated by reference to Exhibit 10.2 to the Company's Form 8-K dated April 11, 2007.**

10.19 The Company's 1993 Stock Option and Performance Incentive Plan (2009 Restatement) incorporated by reference to Exhibit 99.1 to the Company's Registration Statement on Form S-8 (File No. 333-110465) dated September 10, 2009.**

10.20 Employment Agreement dated as of December 31, 2007 among the Company, beautyAvenues, LLC, and Charles C. McGuigan, as amended by Amendment to Agreement dated December 1, 2008 and Form of Employment Agreement Amendment effective as of March 15, 2012 incorporated by reference to Exhibit 10.24 to the Company's Annual Report on Form 10-K for the fiscal year ended January 28, 2012.**

10.21 The Company's 2011 Stock Option and Performance Incentive Plan originally incorporated by reference to Appendix A to the Company's Proxy Statement dated April 11, 2011 and Amended and Restated dated July 21, 2011 incorporated by reference to Exhibit 10.25 to the Company's Annual Report on Form 10-K for the fiscal year ended January 28, 2012.**

10.22 Amendment to Employment Agreement dated as of August 1, 2012 among the Company, Limited Brands Service Company, LLC and Martyn Redgrave incorporated by reference to the Company's Form 8-K dated May 4, 2012.**

10.23 Employment Agreement dated as of November 30, 2012 among the Company and Sharen Jester Turney incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended October 27, 2012.**

10.24 Employment Agreement dated as of March 15, 2013 among the Company, Bath & Body Works Brand Management, Inc. and Nicholas P. M. Coe incorporated by reference to Exhibit 10.26 to the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2013.**

10.25 Form of Fifth Amended and Restated Master Aircraft Time Sharing Agreement incorporated by reference to Exhibit 10.27 to the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2013.**

12. Computation of Ratio of Earnings to Fixed Charges.

14. Code of Ethics—incorporated by reference to the definitive Proxy Statement to be filed on or about March 26, 2014.

21. Subsidiaries of the Registrant.

23.1 Consent of Ernst & Young LLP.

24. Powers of Attorney.

31.1 Section 302 Certification of CEO.

31.2 Section 302 Certification of CFO.

32. Section 906 Certification (by CEO and CFO).

** Identifies management contracts or compensatory plans or arrangements.

(b) Exhibits.

The exhibits to this report are listed in section (a)(3) of Item 15 above.

(c) Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or l5(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 21, 2014

L BRANDS, INC. (Registrant)

By: /s/ Stuart B. Burgdoerfer

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

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 1, 2014:

Signature	Title
/s/ Leslie H. Wexner** Leslie H. Wexner	Chairman of the Board of Directors and Chief Executive Officer
/s/ E. Gordon Gee** E. Gordon Gee	Director
/s/ Dennis S. Hersch** Dennis S. Hersch	Director
/s/ Donna A. James** Donna A. James	Director
/s/ David T. Kollat** David T. Kollat	Director
/s/ William R. Loomis, Jr.** William R. Loomis, Jr.	Director
/s/ Jeffrey H. Miro** Jeffrey H. Miro	Director
/s/ Michael Morris** Michael Morris	Director
/s/ Stephen Steinour** Stephen Steinour	Director
/s/ Allan R. Tessler** Allan R. Tessler	Director
/s/ Abigail S. Wexner** Abigail S. Wexner	Director
/s/ Raymond Zimmerman** Raymond Zimmerman	Director

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

By /s/ Stuart B. Burgdoerfer

Stuart B. Burgdoerfer
Attorney-in-fact

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Executive Officers

Leslie H. Wexner

Chairman and Chief Executive Officer
L Brands, Inc.

Stuart B. Burgdoerfer

Executive Vice President and Chief Financial Officer
L Brands, Inc.

Nicholas P. M. Coe

President and Chief Executive Officer
Bath & Body Works

Charles C. McGuigan

Chief Operating Officer
L Brands, Inc.

President and Chief Executive Officer
Mast Global

Jane L. Ramsey

Executive Vice President, Human Resources
L Brands, Inc.

Sharen J. Turney

President and Chief Executive Officer
Victoria's Secret

Board of Directors

Leslie H. Wexner (6)

Chairman and Chief Executive Officer, L Brands, Inc.

E. Gordon Gee (5)

President, West Virginia University

Dennis S. Hersch (4)

President, N.A. Property, Inc.

Donna A. James (1, 3, 5)

Managing Director, Lardon & Associates LLC

David T. Kollat (1, 2, 3, 4)

Chairman, 22, Inc.

William R. Loomis, Jr. (4)

Senior Advisor, Lazard Ltd.

Jeffrey H. Miro (2, 3)

Senior Partner, Honigman Miller Schwartz and Cohn LLP

Michael G. Morris (2)

Chairman, American Electric Power Company, Inc. (Retired)

Stephen D. Steinour

Chairman, President and Chief Executive Officer, Huntington Bancshares Incorporated

Allan R. Tessler (1, 3, 4, 6)

Chairman and Chief Executive Officer, International Financial Group, Inc.

Abigail S. Wexner (4, 5)

Community Volunteer

Raymond Zimmerman (1, 4)

Chief Executive Officer, Service Merchandise LLC

1 = Member of the Audit Committee
2 = Member of the Compensation Committee
3 = Member of the Nominating and Governance Committee
4 = Member of the Finance Committee
5 = Member of the Inclusion Committee
6 = Member of the Executive Committee

Company Information

Headquarters

L Brands, Inc.
Three Limited Parkway
Columbus, Ohio 43230

614.415.7000
www.LB.com

Stock Exchange Listing

New York Stock Exchange
(Trading Symbol "LB")

Information Requests

Through our website: www.LB.com

Upon written request to:
L Brands, Inc.
Investor Relations
Three Limited Parkway
Columbus, Ohio, 43230

By calling: 614.415.7000

L Brands, Inc.

Founded 1963

as of Feb. 1, 2014:
Approximate associate base: 94,600
Approximate shareholder base: 145,000
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Annual Meeting of Shareholders

8:30 a.m, May 22, 2014
Three Limited Parkway
Columbus, Ohio 43230

Independent Public Accountants

Ernst & Young LLP
Columbus, Ohio

Stock Transfer Agent, Registrar and Dividend Agent

American Stock Transfer & Trust Company ("AST")
6201 15th Avenue
Brooklyn, NY 11219

866.875.7975
718.921.8124
www.amstock.com/company/lbrands.asp

Available on our website, www.LB.com:

- Anticipated release dates for monthly sales and quarterly earnings
- Live webcasts of quarterly earnings conference calls
- Audio replays of monthly sales and quarterly earnings conference calls (or by dialing 866.639.7583)

NYSE Certification Statement

Our Chief Executive Officer and Chief Financial Officer have filed the certifications required by Section 302 of the Sarbanes-Oxley Act of 2002 with the Securities and Exchange Commission as exhibits to our Form 10-K for the fiscal year ended Feb. 1, 2014. In addition, our Chief Executive Officer filed a separate annual certification to the New York Stock Exchange following our annual shareholders' meeting on May 23, 2013.

ADMITTANCE SLIP
2014 ANNUAL MEETING OF STOCKHOLDERS

Date, Time and Place of Meeting:

Date: Thursday, May 22, 2014

Time: 8:30 a.m., Eastern Time

Place: Three Limited Parkway
Columbus, Ohio 43230

Attending the Meeting:

Stockholders who plan to attend the meeting in person must bring this admittance slip and a photo identification to gain access. Because of necessary security precautions, bags, purses and briefcases may be subject to inspection. To speed the admissions process, stockholders are encouraged to bring only essential items. Cameras, camcorders or video taping equipment are not allowed. Photographs or video taken by the Company at the meeting may be used by the Company. By attending, you waive any claim or rights to these photographs.

For more information about attending the annual meeting, please visit the website at ***www.lb.com/investors*** or contact Investor Relations at (614) 415-7073.

Admittance Slip

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