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

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# FORM 10-Q

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

**For the quarterly period ended July 29, 2006**

**OR**

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

**For the transition period from ______ to ______**

**Commission file number 1-8344**

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# LIMITED BRANDS, INC.
**(Exact name of registrant as specified in its charter)**

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| | |
|---|---|
| **Delaware**<br>**(State or other jurisdiction of incorporation or organization)** | **31-1029810**<br>**(I.R.S. Employer Identification No.)** |
| **Three Limited Parkway, P.O. Box 16000, Columbus, Ohio**<br>**(Address of principal executive offices)** | **43216**<br>**(Zip Code)** |

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

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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 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 ☒

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

| Common Stock, $.50 Par Value | Outstanding at August 25, 2006 |
|---|---|
| | 394,957,162 Shares |

LIMITED BRANDS, INC.

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PART I— FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

LIMITED BRANDS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Millions, except per share amounts)

(Unaudited)

| | Thirteen Weeks Ended | | Twenty-six Weeks Ended | |
|---|---|---|---|---|
| | July 29, 2006 | July 30, 2005 | July 29, 2006 | July 30, 2005 |
| Net sales | $ 2,454 | $ 2,290 | $ 4,531 | $ 4,266 |
| Costs of goods sold, buying and occupancy | (1,601) | (1,545) | (2,889) | (2,837) |
| Gross profit | 853 | 745 | 1,642 | 1,429 |
| General, administrative and store operating expenses | (656) | (592) | (1,259) | (1,157) |
| Operating income | 197 | 153 | 383 | 272 |
| Interest expense | (24) | (22) | (48) | (45) |
| Interest income | 8 | 4 | 18 | 10 |
| Other (loss) income | (1) | — | (3) | 1 |
| Income before income taxes | 180 | 135 | 350 | 238 |
| Provision for income taxes | 67 | 53 | 138 | 90 |
| Income before cumulative effect of changes in accounting principle | 113 | 82 | 212 | 148 |
| Cumulative effect of changes in accounting principle (net of tax of $0.4 and $11 in 2006 and 2005, respectively) | — | — | 1 | 17 |
| Net income | 113 | 82 | 213 | 165 |
| Net income per basic share: | | | | |
| Income before cumulative effect of changes in accounting principle | $ 0.29 | $ 0.20 | $ 0.54 | $ 0.37 |
| Cumulative effect of changes in accounting principle | — | — | — | 0.04 |
| Net income per basic share | $ 0.29 | $ 0.20 | $ 0.54 | $ 0.41 |
| Net income per diluted share: | | | | |
| Income before cumulative effect of changes in accounting principle | $ 0.28 | $ 0.20 | $ 0.53 | $ 0.36 |
| Cumulative effect of changes in accounting principle | — | — | — | 0.04 |
| Net income per diluted share | $ 0.28 | $ 0.20 | $ 0.53 | $ 0.40 |
| Dividends per share | $ 0.15 | $ 0.15 | $ 0.30 | $ 0.30 |

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

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LIMITED BRANDS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Millions)

| | July 29, 2006 (Unaudited) | January 28, 2006 | July 30, 2005 (Unaudited) |
|---|---|---|---|
| **ASSETS** | | | |
| Current assets: | | | |
| Cash and cash equivalents | $ 651 | $ 1,208 | $ 719 |
| Accounts receivable | 138 | 182 | 120 |
| Inventories | 1,493 | 1,160 | 1,223 |
| Other | 270 | 234 | 239 |
| Total current assets | 2,552 | 2,784 | 2,301 |
| Property and equipment, net | 1,692 | 1,615 | 1,558 |
| Goodwill | 1,358 | 1,357 | 1,352 |
| Trade names and other intangible assets, net | 443 | 447 | 454 |
| Other assets | 144 | 143 | 143 |
| Total assets | $ 6,189 | $ 6,346 | $ 5,808 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| Current liabilities: | | | |
| Accounts payable | $ 594 | $ 535 | $ 519 |
| Accrued expenses | 702 | 790 | 652 |
| Income taxes | 25 | 250 | 104 |
| Total current liabilities | 1,321 | 1,575 | 1,275 |
| Deferred income taxes | 156 | 146 | 177 |
| Long-term debt | 1,665 | 1,669 | 1,646 |
| Other long-term liabilities | 452 | 452 | 441 |
| Minority interest | 33 | 33 | 33 |
| Shareholders' equity: | | | |
| Common stock | 262 | 262 | 262 |
| Paid-in capital | 1,572 | 1,597 | 1,638 |
| Retained earnings | 3,929 | 3,833 | 3,436 |
| Less: treasury stock, at average cost | (3,201) | (3,221) | (3,100) |
| Total shareholders' equity | 2,562 | 2,471 | 2,236 |
| Total liabilities and shareholders' equity | $ 6,189 | $ 6,346 | $ 5,808 |

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

LIMITED BRANDS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions)

(Unaudited)

| | Twenty-six Weeks Ended | |
|---|---|---|
| | July 29, 2006 | July 30, 2005 |
| Operating activities: | | |
| Net income | $ 213 | $ 165 |
| Adjustments to reconcile net income to net cash (used in) provided by operating activities: | | |
| Cumulative effect of accounting change | (1) | (17) |
| Depreciation and amortization | 152 | 151 |
| Shared-based compensation | 16 | 5 |
| Excess tax benefits from share-based compensation | (21) | — |
| Tax benefit on exercise of non-qualified stock options | — | 8 |
| Deferred income taxes | (5) | (18) |
| Change in assets and liabilities: | | |
| Accounts receivable | 44 | 8 |
| Inventories | (333) | (53) |
| Accounts payable and accrued expenses | (33) | (47) |
| Income taxes payable | (187) | (118) |
| Other assets and liabilities | (4) | 13 |
| Net cash (used in) provided by operating activities | (159) | 97 |
| Investing activities: | | |
| Capital expenditures | (249) | (250) |
| Other investing activities | (6) | (16) |
| Net cash used in investing activities | (255) | (266) |
| Financing activities: | | |
| Dividends paid | (119) | (122) |
| Repurchase of common stock | (130) | (183) |
| Excess tax benefits from share-based compensation | 21 | — |
| Proceeds from exercise of stock options and other | 89 | 32 |
| Payments of long-term debt | (4) | — |
| Net cash used in financing activities | (143) | (273) |
| Net decrease in cash and cash equivalents | (557) | (442) |
| Cash and cash equivalents, beginning of year | 1,208 | 1,161 |
| Cash and cash equivalents, end of period | $ 651 | $ 719 |

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

LIMITED BRANDS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

**1. Description of Business and Basis of Presentation**

Limited Brands, Inc. (the “Company”) sells women’s intimate apparel, personal care and beauty products, and women’s and men’s apparel under various trade names through its specialty retail stores (primarily mall based) and direct response channels (catalogue and e–commerce).

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

The Consolidated Financial Statements as of and for the thirteen week and twenty-six week periods ended July 29, 2006 and July 30, 2005 are unaudited and are presented pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Accordingly, these Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto contained in the Company’s 2005 Annual Report on Form 10-K. In the opinion of management, the accompanying Consolidated Financial Statements reflect all adjustments (which are of a normal recurring nature) necessary for a fair statement of the results for the interim periods.

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

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

**2. Change in Accounting Principle - Share-Based Compensation**

Background

On January 29, 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), “Share-Based Payment” (“SFAS 123(R)”), which requires the measurement and recognition of compensation expense for all share-based awards made to employees and directors based on estimated fair values on the grant date. SFAS 123(R) supersedes the Company’s previous accounting under Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees” (“APB 25”) for periods beginning in fiscal 2006. In March 2005, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 107 (“SAB 107”) relating to SFAS 123(R). The Company has applied the provisions of SAB 107 in its adoption of SFAS 123(R).

SFAS 123(R) requires companies to estimate the fair value of share-based awards on the date of grant and recognize as expense the value of the portion of the award that is ultimately expected to vest over the requisite service period. Prior to the adoption of SFAS 123(R), the Company accounted for share-based awards to employees and directors using the intrinsic value method in accordance with APB 25. Under the intrinsic value method, no stock-based compensation expense was recognized in the Company’s Consolidated Statements of Income, other than for restricted stock, because the exercise price of the Company’s stock options granted to employees and directors equaled the fair market value of the underlying stock at the date of grant.

The Company adopted SFAS 123(R) using the modified prospective transition method, which requires the application of the accounting standard as of January 29, 2006, the first day of the Company’s fiscal year 2006. The Company’s Consolidated Financial Statements as of and for the thirteen and twenty-six weeks ended July 29, 2006 reflect the impact of SFAS 123(R). In accordance with the modified prospective transition method, the Company’s Consolidated Financial Statements for prior periods have not been restated to reflect, and do not include, the impact of SFAS 123(R).

Under the modified prospective transition method, share-based compensation expense recognized in the Company’s Consolidated Statements of Income for the periods ended July 29, 2006 and for the balance of fiscal year 2006 will include compensation expense for:

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- Unvested share-based awards granted prior to January 29, 2006, based on the grant date fair value determined in accordance with the pro forma provisions of SFAS 123 “Accounting for Stock-Based Compensation” (“SFAS No. 123”).
- Share-based awards granted subsequent to January 29, 2006, based on the grant date fair value determined in accordance with the provisions of SFAS 123(R).

Impact of Change in Accounting Principle

Total pre-tax share-based compensation expense recognized under SFAS 123(R) for the thirteen and twenty-six weeks ended July 29, 2006 was $8.8 and $16.4 million, respectively. Share-based compensation expense of $2.5 and $5.4 million for the thirteen and twenty-six weeks ended July 30, 2005 related primarily to restricted stock which the Company expensed under APB 25. The tax benefit associated with share-based compensation was $2.4 and $4.5 million for the thirteen and twenty-six weeks ended July 29, 2006, respectively. The tax benefit associated with share-based compensation was $1.0 and $2.1 million for the thirteen and twenty-six weeks ended July 29, 2005.

Pre-tax share-based compensation expense included in the accompanying Consolidated Statements of Income is as follows (millions):

| | Thirteen Weeks Ended | | Twenty-six Weeks Ended | |
|---|---|---|---|---|
| | July 29, 2006 | July 30, 2005 | July 29, 2006 | July 30, 2005 |
| Costs of goods sold, buying and occupancy | $ 2 | $ — | $ 3 | $ — |
| General, administrative and store operating expenses | 7 | 3 | 13 | 5 |
| Total | $ 9 | $ 3 | $ 16 | $ 5 |

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

The adoption of SFAS 123(R) had the following incremental impact on the Consolidated Financial Statements for the periods ended July 29, 2006:

**Incremental share-based compensation expense included in:**

| | Increase/(decrease) | |
|---|---|---|
| **(Millions, except per share amounts):** | **Thirteen Weeks Ended July 29, 2006** | **Twenty-six Weeks Ended July 29, 2006** |
| Costs of goods sold, buying and occupancy | $ 1 | $ 3 |
| General, administrative and store operating expenses | 5 | 9 |
| Operating income | (6) | (12) |
| Income before income taxes | (6) | (12) |
| Net income | (5) | (9) |
| Net cash used in operating activities | $ (10) | $ (21) |
| Net cash used in financing activities | 10 | 21 |
| Basic earnings per share | $ (0.01) | $ (0.02) |
| Diluted earnings per share | (0.01) | (0.02) |

The following table is presented for comparative purposes and illustrates the pro forma effect on net income and earnings per share for the thirteen and twenty-six weeks ended July 30, 2005 as if the Company had applied the fair value recognition provisions of SFAS 123 to stock-based employee compensation prior to January 29, 2006:

| **(Millions, except per share amounts)** | **Thirteen Weeks Ended July 30, 2005** | **Twenty-six Weeks Ended July 30, 2005** |
|---|---|---|
| Net income, as reported | $ 82 | $ 165 |
| Add: Stock compensation cost recorded under APB 25, net of tax | 2 | 3 |
| Deduct: Stock compensation cost calculated under SFAS No. 123, net of tax | (9) | (15) |
| Pro forma net income | $ 75 | $ 153 |
| Earnings per basic share, as reported | $ 0.20 | $ 0.41 |
| Earnings per basic share, pro forma | $ 0.19 | $ 0.38 |
| Earnings per diluted share, as reported | $ 0.20 | $ 0.40 |
| Earnings per diluted share, pro forma | $ 0.18 | $ 0.37 |

Valuation and Attribution Methodology

The Company will continue to use the Black-Scholes option-pricing model (“Black-Scholes model”) for valuation of options granted to employees and directors. The Company’s determination of the fair value of options is affected by the Company’s stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, the Company’s expected stock price volatility over the term of the awards and projected employee stock option exercise behaviors.

The weighted-average estimated fair value of stock options granted during the thirteen and twenty-six weeks ended July 29, 2006 was $8.12 and $7.40 per share, respectively, and during the thirteen and twenty-six weeks ended July 30, 2005 was $6.86 and $7.62, respectively, based on the following weighted-average assumptions:

| | Thirteen Weeks Ended | | Twenty-six Weeks Ended | |
|---|---|---|---|---|
| | July 29, 2006 | July 30, 2005 | July 29, 2006 | July 30, 2005 |
| Expected volatility | 35.0% | 39.0% | 35.0% | 39.0% |
| Risk-free interest rate | 5.0% | 4.1% | 4.8% | 4.0% |
| Dividend yield | 2.8% | 2.9% | 3.0% | 2.7% |
| Expected life (years) | 5.5 | 5.0 | 5.5 | 5.0 |

The expected volatility assumption is based on the Company's analysis of historical volatility. The risk-free interest rate assumption is based upon the average daily closing rates during the period for U.S. treasury notes that have a life which approximates the expected life of the option. The dividend yield assumption is based on the Company's history and expectation of dividend payouts. The expected life of employee stock options represents the weighted-average period the stock options are expected to remain outstanding.

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.

SFAS 123(R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. As a result, beginning in fiscal 2006, the Company began applying an estimated forfeiture rate based on historical data to determine the amount of compensation expense recognized in the Consolidated Statements of Income. Prior to 2006, the Company used the actual forfeiture method allowed under SFAS 123 which assumed that all options would vest. Under this method, pro forma expense was only adjusted when options were actually forfeited prior to the vesting dates.

Compensation expense for stock options is recognized, net of forfeitures, over the requisite service period on a straight-line basis, using a single option approach (each option is valued as one grant, irrespective of the amount of vesting tranches). Restricted stock expense is recognized, net of forfeitures, on a straight-line basis over the requisite service period.

Plan Summary

The 1993 Stock Option and Performance Incentive Plan as amended (the "Plan"), which is shareholder approved, provides for the grant of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock, performance-based restricted stock, performance units and unrestricted shares. Although the Plan allows for stock options to be granted at prices below fair market value, the Company has historically granted such options at the fair market value of the stock on the date of grant. Stock options and restricted stock awards have a maximum term of ten years. Stock options generally vest over 4 years with 25% vesting each year. Restricted stock generally vests (the restrictions lapse) over a two to six year period. Under the Company's Plans, approximately 100 million options, restricted and unrestricted shares have been authorized to be granted to employees and directors. Approximately 22 million options and restricted shares were available for grant at July 29, 2006.

In anticipation of SFAS 123(R), the Company did not modify the Plan or terms of any previously granted options. During the first quarter of 2006, the Company issued performance-based restricted stock awards. The fair value of these shares is measured on the date that the performance goals and the target number of shares are communicated. The final number of shares of performance-based restricted stock issued to each employee is determined at the end of each Spring and Fall selling season, based upon performance against specified financial goals. The vesting period of these awards ranges from two to three years.

Stock Option Activity

The Company's stock option activity for the twenty-six weeks ended July 29, 2006 was as follows:

| (Thousands, except per share amounts) | Number of Shares | Weighted Average Option Price Per Share | Weighted Average Remaining Contractual Life (years) | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Outstanding at January 28, 2006 | 34,521 | $ 16.47 | | |
| Granted | 1,919 | 24.74 | | |
| Exercised | (6,035) | 14.84 | | |
| Cancelled | (1,078) | 20.17 | | |
| Outstanding at July 29, 2006 | 29,327 | 17.20 | 5.7 | $ 229,393 |
| Vested and expected to vest at July 29, 2006 (a) | 26,496 | 16.70 | 5.5 | $ 220,364 |
| Options exercisable at July 29, 2006 | 17,999 | $ 15.13 | 4.2 | $ 177,906 |

(a) The number of options expected to vest takes into account 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 during the thirteen and twenty-six weeks ended July 29, 2006 was $31.9 and $62.7 million, respectively. As of July 29, 2006, there was $42.6 million of total unrecognized compensation cost, net of estimated forfeitures, related to nonvested options. That cost is expected to be recognized over a weighted-average period of 2.8 years.

Restricted Stock Activity

The Company's restricted stock activity for the twenty-six weeks ended July 29, 2006 was as follows:

| (Thousands, except per share amounts) | Number of Shares | Weighted Average Grant Date Fair Value |
|---|---|---|
| Unvested at January 28, 2006 | 1,596 | $ 18.03 |
| Granted | 1,246 | 23.26 |
| Vested | (259) | 16.15 |
| Cancelled | (122) | 20.18 |
| Unvested at July 29, 2006 | 2,461 | $ 20.81 |

The total intrinsic value of restricted stock vested during the thirteen and twenty-six weeks ended July 29, 2006 was $0.9 and $6.2 million, respectively. As of July 29, 2006, there was $24.9 million of total unrecognized compensation cost, net of estimated forfeitures, related to unvested restricted stock. That cost is expected to be recognized over a weighted-average period of 2.3 years.

Unvested restricted stock outstanding at July 29, 2006 includes performance-based restricted stock related to the Spring selling season. The Company issued 0.5 million shares based on Spring season performance (the Company's fiscal first and second quarters), all of which have a weighted-average grant date fair value of $23.24. The Company recognized compensation expense of $0.9 and $1.3 million in the quarter and year-to-date, respectively, for performance-based restricted stock.

Unvested restricted stock outstanding at July 29, 2006 does not include performance-based restricted stock related to the Fall selling season. The final number of shares to be issued to each employee will be determined at the end of the Fall season (the Company's fiscal third and fourth quarters) and could range from zero to approximately 1.2 million shares, all of which have a weighted-average grant date fair value of $23.24. The Company will recognize compensation expense in the third and fourth quarters for performance restricted stock based on the probability of the performance level that will be achieved in the Fall.

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### 3. Change in Accounting Principle - Inventories

During 2005, the Company changed its inventory valuation method. Previously, inventories were principally valued at the lower of cost or market, on a weighted-average cost basis, using the retail method. Commencing in 2005, inventories are principally valued at the lower of cost or market, on a weighted-average cost basis, using the cost method.

The cumulative effect of this change was $17 million, net of tax of $11 million. This change was recognized as an increase to net income in the Consolidated Statement of Income as of the beginning of the first quarter of 2005. The 2005 quarterly financial statements have been restated to reflect the adoption of this change as of the beginning of 2005.

### 4. Shareholders' Equity and Earnings Per Share

At July 29, 2006, one billion shares of $0.50 par value common stock were authorized, 523.9 million were issued and 395.4 million were outstanding. At January 28, 2006, 523.9 million shares were issued and 395.2 million were outstanding. At July 30, 2005, 523.9 million shares were issued and 401.2 million were outstanding. In addition, ten million shares of $1.00 par value preferred stock were authorized, none of which were issued.

In February 2006, the Company's Board of Directors authorized the repurchase of an additional $100 million of the Company's common stock. As of July 29, 2006, the Company had repurchased approximately 3.7 million shares of its common stock for $91.6 million at an average price per share of approximately $25.04. During August 2006, the Company completed this program. In June 2006, the Company's Board of Directors authorized the repurchase of an additional $100 million of the Company's common stock. Through August 25, 2006, 0.6 million additional shares have been repurchased under these programs for $16.2 million at an average price of $25.71.

Earnings per basic share is computed based on the weighted-average number of outstanding common shares. Earnings per diluted share includes the weighted-average effect of dilutive options and restricted stock on the weighted-average shares outstanding.

Weighted-average common shares outstanding (thousands):

| | Thirteen Weeks Ended | | Twenty-six Weeks Ended | |
|---|---|---|---|---|
| | July 29, 2006 | July 30, 2005 | July 29, 2006 | July 30, 2005 |
| Common shares issued | 523,852 | 523,852 | 523,852 | 523,852 |
| Treasury shares | (128,016) | (120,185) | (128,837) | (118,540) |
| Basic shares | 395,836 | 403,667 | 395,015 | 405,312 |
| Dilutive effect of stock options and restricted shares | 6,507 | 8,301 | 6,364 | 9,289 |
| Diluted shares | 402,343 | 411,968 | 401,379 | 414,601 |

The quarterly computations of earnings per diluted share exclude options to purchase 0.2 million and 6.3 million shares of common stock for the thirteen weeks ended July 29, 2006 and July 30, 2005, respectively, and the year-to-date computations of earnings per diluted share exclude options to purchase 3.4 million and 5.9 million shares for 2006 and 2005, respectively, because the options' exercise prices were greater than the average market price of the common shares during those periods and, accordingly, their effect would be antidilutive.

### 5. Property and Equipment, Net

Property and equipment, net consisted of (millions):

| | July 29, 2006 | January 28, 2006 | July 30, 2005 |
|---|---|---|---|
| Property and equipment, at cost | $ 4,062 | $ 3,998 | $ 3,871 |
| Accumulated depreciation | (2,370) | (2,383) | (2,313) |
| Property and equipment, net | $ 1,692 | $ 1,615 | $ 1,558 |

### 6. Trade Names and Other Intangible Assets, Net

Intangible assets, not subject to amortization, represent the Victoria’s Secret and Bath & Body Works trade names. These assets totaled $411 million as of July 29, 2006, January 28, 2006 and July 30, 2005.

Intangible assets, subject to amortization, were as follows (millions):

| | July 29, 2006 | January 28, 2006 | July 30, 2005 |
|---|---|---|---|
| Gross carrying amount | $ 81 | $ 81 | $ 82 |
| Accumulated amortization | (49) | (45) | (39) |
| Intangible assets, net | $ 32 | $ 36 | $ 43 |

Estimated future annual amortization expense will be approximately $6 million for the remainder of 2006, $8 million in 2007, $3 million in 2008, $2 million in 2009 and 2010 and $11 million thereafter.

### 7. Income Taxes

The provision for income taxes is based on the current estimate of the annual effective tax rate and is adjusted as necessary for quarterly events. The income tax liability included net current deferred tax liabilities of $25 million at July 29, 2006, $39 million at January 28, 2006 and $67 million at July 30, 2005.

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

**8. Long-Term Debt**

Long-term debt, net of unamortized discount, consisted of (millions):

| | July 29, 2006 | January 28, 2006 | July 30, 2005 |
|---|---|---|---|
| 6.125% $300 million Notes due December 2012, less unamortized discount | $ 299 | $ 299 | $ 299 |
| 6.95% $350 million Debentures due March 2033, less unamortized discount | 349 | 349 | 349 |
| 5.25% $500 million Notes due November 1, 2014, less unamortized discount | 498 | 498 | 498 |
| Credit facility due January 2010 | 26 | 30 | — |
| Term loan due March 2011. Interest rate was 5.87% at July 29, 2006 | 500 | 500 | 500 |
| Total debt | 1,672 | 1,676 | 1,646 |
| Current portion of long-term debt | (7) | (7) | — |
| Total long-term debt | $1,665 | $ 1,669 | $1,646 |

In January 2006, Mast Industries (Far East) Limited, a wholly owned subsidiary of Limited Brands, Inc., entered into an unsecured revolving credit facility with an unrelated third party. Annual fees payable under the facility are 0.05% on the outstanding principal amount which totaled $26 million as of July 29, 2006. The Company will repay the credit facility in eight equal semi-annual installments. The first installment of $3.75 million was repaid in June 2006.

The Company currently has available a $1 billion unsecured revolving credit facility (the “Facility”) which is due March 2011. As of July 29, 2006, there were no borrowings outstanding under the Facility. Fees payable under the Facility are based on the Company’s long-term credit ratings, and are currently 0.10% of the committed amount per year.

Some of the Company’s debt agreements require the Company to maintain certain specified fixed charge and debt-to-earnings ratios and prohibit certain types of liens on property or assets. The Company was in compliance with the covenant requirements as of July 29, 2006.

**9. Commitments and Contingencies**

In connection with the disposition of certain subsidiaries, the Company has remaining guarantees of approximately $234 million related to lease payments of Abercrombie & Fitch, Tween Brands, Inc. (formerly Limited Too), Dick’s Sporting Goods (formerly Galyan’s), Lane Bryant and New York & Company under the current terms of noncancelable leases expiring at various dates through 2015. 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 believes the likelihood of a material liability being triggered under these guarantees is remote.

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

**10. Retirement Benefits**

The Company sponsors a qualified defined contribution retirement plan which is available to all associates who have completed 1,000 or more hours of service with the Company during certain 12-month periods and who have attained the age of 21. This plan permits associates to contribute amounts to individual accounts up to the maximum amount allowable under the Internal Revenue Code. The Company matches associate contributions based on a predetermined formula and both associate contributions and Company matching contributions are 100% vested at all times. The Company also contributes additional amounts to this plan based on a percentage of the associates' eligible annual compensation which vest based on the associates' years of service. Total expense recognized related to this plan was $10.5 million and $22.0 million for the thirteen and twenty-six week periods ended July 29, 2006 and $10.4 million and $22.3 million for the same periods in 2005.

The Company also sponsors an unfunded, non-qualified supplemental retirement plan that permits highly compensated associates to defer a portion of their salaries above the Internal Revenue Code limits for the Company's defined contribution plan. Participation in this plan is subject to service, job level and compensation requirements. The Company matches associate contributions according to a predetermined formula. Associate accounts are credited with interest at a rate determined annually based on an evaluation of the 10-year and 30-year borrowing rates available to the Company. Associate contributions and the related interest vest immediately. Company contributions and the related interest are subject to vesting based on the associates' years of service. Total expense recognized related to this plan was $5.6 million and $10.9 million for the thirteen and twenty-six week periods ended July 29, 2006 and $5.7 million and $11.0 million for the same periods in 2005.

**11. Segment Information**

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

The Victoria's Secret segment derives its revenues from sales of women's intimate and other apparel, personal care and beauty products, and accessories marketed primarily under the Victoria's Secret brand name. Victoria's Secret merchandise is sold through retail stores and direct response channels (e–commerce and catalogue). The Bath & Body Works segment derives its revenues from the sale of personal care, beauty and home fragrance products marketed under the Bath & Body Works, C.O. Bigelow and White Barn Candle Company brand names as well as from sales of third-party brands. Bath & Body Works products are sold through retail stores and direct response channels (e–commerce and catalogue). The Apparel segment derives its revenues from sales of women's and men's apparel through Express and Limited Stores.

Segment information for the thirteen and twenty-six week periods ended July 29, 2006 and July 30, 2005 follows (millions):

| | Victoria's Secret | Bath & Body Works | Apparel | Other(a) | Total |
|---|---|---|---|---|---|
| **2006** | | | | | |
| **Thirteen weeks:** | | | | | |
| Net sales | $ 1,235 | $ 581 | $ 478 | $ 160 | $2,454 |
| Operating income (loss) | 206 | 94 | (31) | (72) | 197 |
| **Twenty-six weeks:** | | | | | |
| Net sales | $ 2,287 | $ 966 | $ 969 | $ 309 | $4,531 |
| Operating income (loss) | 424 | 119 | (15) | (145) | 383 |
| **2005** | | | | | |
| **Thirteen weeks:** | | | | | |
| Net sales | $ 1,082 | $ 516 | $ 540 | $ 152 | $2,290 |
| Operating income (loss) | 200 | 75 | (59) | (63) | 153 |
| **Twenty-six weeks:** | | | | | |
| Net sales | $ 2,037 | $ 880 | $1,041 | $ 308 | $4,266 |
| Operating income (loss) | 380 | 101 | (88) | (121) | 272 |

(a) Includes Corporate (including non-core real estate, equity investments and other administrative functions such as treasury and tax), Mast (an apparel importer which is a significant supplier of merchandise for Victoria's Secret, Express and Limited Stores), beautyAvenues (a sourcing Company serving both Victoria's Secret and Bath & Body Works) and Henri Bendel.

**12. Recently Issued Accounting Pronouncements**

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48 (FIN 48), "Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109." FIN 48 clarifies the recognition threshold and measurement principles for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company is currently evaluating this interpretation to determine if it will have a material impact on the Company's financial statements.

In June 2006, the FASB ratified the Emerging Issues Task Force (EITF) consensus on EITF Issue No. 06-3, "How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross versus Net Presentation)." EITF Issue No. 06-3 states that the classification of taxes as gross or net is an accounting policy decision that is dependent on type of tax and that similar taxes are to be presented in a similar manner. EITF Issue No. 06-3 is effective for reporting periods beginning after December 15, 2006. The Company will adopt this consensus as required, and adoption is not expected to have an impact on the Company's results of operations, financial condition or liquidity.

Report of Independent Registered Public Accounting Firm

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

We have reviewed the consolidated balance sheets of Limited Brands, Inc. and subsidiaries (the “Company”) as of July 29, 2006 and July 30, 2005, and the related consolidated statements of income for the thirteen and twenty-six week periods ended July 29, 2006 and July 30, 2005, and the consolidated statements of cash flows for the twenty-six week periods ended July 29, 2006 and July 30, 2005. These financial statements are the responsibility of the Company’s management.

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

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Limited Brands, Inc. and subsidiaries as of January 28, 2006, and the related consolidated statements of income, shareholders’ equity, and cash flows for the year then ended (not presented herein), and in our report dated March 23, 2006, we expressed an unqualified opinion on those consolidated financial statements and included an explanatory paragraph regarding the Company’s change in its method of accounting for inventories. In our opinion, the information set forth in the accompanying consolidated balance sheet as of January 28, 2006, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Ernst & Young LLP

Columbus, Ohio
August 29, 2006

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

The Company cautions that any forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) contained in this report or made by the Company or management of the Company involve risks and uncertainties and are subject to change based on various important factors, many of which are beyond our control. Accordingly, the Company’s future performance and financial results may differ materially from those expressed or implied in any such forward-looking statements. Words such as “estimate,” “project,” “plan,” “believe,” “expect,” “anticipate,” “intend,” “planned,” “potential” and similar expressions may identify forward-looking statements. The following factors, among others, in some cases have affected and in the future could affect the Company’s financial performance and actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements included in this report or otherwise made by the Company or management: risks associated with general economic conditions, consumer confidence and consumer spending patterns; the potential impact of national and international security concerns on the retail environment, including any possible military action, terrorist attacks or other hostilities; risks associated with the seasonality of the Company’s business; risks associated with severe weather and changes in weather patterns; risks associated with the highly competitive nature of the retail industry generally and the segments in which we operate particularly; risks related to consumer acceptance of the Company’s products and the Company’s ability to keep up with fashion trends, develop new merchandise, launch new product lines successfully, offer products at the appropriate price points and enhance the Company’s brand image; risks associated with the Company’s ability to retain, hire and train key personnel and management; risks associated with the possible inability of the Company’s manufacturers to deliver products in a timely manner or meet quality standards; risks associated with the Company’s reliance on foreign sources of production, including risks related to the disruption of imports by labor disputes, risks related to political instability, risks associated with legal and regulatory matters, risks related to duties, taxes, other charges and quotas on imports, risks related to local business practices, potential delays or disruptions in shipping and related pricing impacts and political issues and risks related to currency and exchange rates; risks associated with the dependence on a high volume of mall traffic and the possible lack of availability of suitable store locations on appropriate terms; risks associated with increases in the costs of mailing, paper and printing; risks associated with our ability to service any debt we incur from time to time as well as the requirements the agreements related to such debt impose upon us; risks associated with the Company’s reliance on information technology, including risks related to the implementation of new information technology systems and risks related to utilizing third parties to provide information technology services; risks associated with natural disasters and risks associated with rising energy costs. The Company is not under any obligation and does not intend to make publicly available any update or other revisions to any of the forward-looking statements contained in this report to reflect circumstances existing after the date of this report or to reflect the occurrence of future events even if experience or future events make it clear that any expected results expressed or implied by those forward-looking statements will not be realized.

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

### EXECUTIVE OVERVIEW

The Company's results for the second quarter of 2006 improved over the second quarter of 2005. Operating income increased 29% driven by significant improvement at Express and strong results at Bath & Body Works. On a year-to-date basis, operating income increased 41% driven by significant improvement at Express and strong results at Victoria's Secret and Bath & Body Works.

At Victoria's Secret, sales growth of 14% was driven by strong performance across all categories including bras, panties, sleepwear, PINK and beauty. Growth in bras was driven by two successful launches in the Angels sub-brand and a continued strong response to the Angels Secret Embrace. PINK continued to perform well driven by a positive customer response to the loungewear assortment and strength in the panty category. The growth in sales was partially offset by a decrease in the gross profit rate as well as increases in general, administrative and store operating expenses resulting in a 3% increase to operating income. The decline in the gross profit rate was the result of additional markdowns taken to move clearance merchandise. The increase in general, administrative and store operating expenses was driven primarily by an increase in marketing expenses related to new product launches and increased store selling expense to support the increased sales. Victoria's Secret continues to focus on the "Best At" bras strategy with continued new style introductions through major bra launches. Additionally, Victoria's Secret will continue to focus on aggressive marketing strategies designed to grow the customer base in areas where the Brand intends to expand market share and increase customer loyalty.

At Bath & Body Works, sales growth of 13% drove an increase in operating income. The increase in sales was driven by continued emphasis on the Signature Collection during the quarter including the launch of the hair care line. Additionally, the launch of the Temptations collection of tropical scented skin care products, combined with continued strength in the C.O. Bigelow and Dr. Wexler lines, drove incremental sales. Entering the Fall season, Bath & Body Works is focused on themes with fewer, bigger statements and balancing new product introductions with the strength of the Signature Collection.

At Express, sales results declined as a result of significant promotional and clearance activity that occurred during the second quarter of 2005 to clear underperforming merchandise. Despite the decreased sales, Express was able to achieve significant reduction in operating losses as a result of significantly improved gross profit and continued focus on inventory management. Express continues to focus on winning back customers by reasserting itself as a young, sexy and sophisticated designer brand that offers the right product at the right price at the right time. The Fall season will reflect a constant flow of newness and wear now merchandise including launches in new fits, fabrics and styles.

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SECOND QUARTER AND YEAR-TO-DATE 2006 RESULTS

The following summarized financial and statistical data compares reported results for the thirteen week and twenty-six week periods ended July 29, 2006 and July 30, 2005:

| | Second Quarter | | | Year-to-Date | | |
|---|---|---|---|---|---|---|
| | 2006 | 2005 | Change | 2006 | 2005 | Change |
| **Net Sales (millions):** | | | | | | |
| Victoria's Secret Stores | $ 869 | $ 763 | 14% | $1,606 | $1,431 | 12% |
| Victoria's Secret Direct | 366 | 319 | 15% | 681 | 606 | 12% |
| Total Victoria's Secret | 1,235 | 1,082 | 14% | 2,287 | 2,037 | 12% |
| Bath & Body Works | 581 | 516 | 13% | 966 | 880 | 10% |
| Express | 370 | 419 | (12)% | 750 | 791 | (5)% |
| Limited Stores | 108 | 121 | (11)% | 219 | 250 | (12)% |
| Total Apparel businesses | 478 | 540 | (11)% | 969 | 1,041 | (7)% |
| Other (a) | 160 | 152 | 5% | 309 | 308 | 0% |
| Total net sales | $2,454 | $2,290 | 7% | $4,531 | $4,266 | 6% |
| **Segment Operating Income (loss) (millions):** | | | | | | |
| Victoria's Secret | $ 206 | $ 200 | 3% | $ 424 | $ 380 | 12% |
| Bath & Body Works | 94 | 75 | 25% | 119 | 101 | 18% |
| Apparel | (31) | (59) | 47% | (15) | (88) | 83% |
| Other (a) | (72) | (63) | (14)% | (145) | (121) | (20)% |
| Total operating income | $ 197 | $ 153 | 29% | $ 383 | $ 272 | 41% |

(a) Other includes Corporate, Mast, beautyAvenues and Henri Bendel.

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| | Second Quarter 2006 | Second Quarter 2005 | Year-to-Date 2006 | Year-to-Date 2005 |
|---|---|---|---|---|
| **Comparable Store Sales (a):** | | | | |
| Victoria's Secret | 11% | 2% | 10% | 1% |
| Bath & Body Works | 11% | 9% | 8% | 7% |
| Express | (11)% | (12)% | (4)% | (17)% |
| Limited Stores | (4)% | (2)% | (6)% | (4)% |
| Total Apparel businesses | (10)% | (10)% | (5)% | (14)% |
| Henri Bendel | 1% | (8)% | (7)% | (12)% |
| Total comparable store sales increase (decrease) | 5% | 0% | 5% | (2)% |

(a) A store is included in the calculation of comparable store sales when it has been open 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.

| | Second Quarter 2006 | Second Quarter 2005 | Second Quarter Change | Year-to-Date 2006 | Year-to-Date 2005 | Year-to-Date Change |
|---|---|---|---|---|---|---|
| **Segment Store Data:** | | | | | | |
| Retail sales per average selling square foot: | | | | | | |
| Victoria's Secret | $ 174 | $ 156 | 12% | $ 320 | $ 293 | 9% |
| Bath & Body Works | $ 159 | $ 145 | 10% | $ 265 | $ 247 | 7% |
| Apparel | $ 74 | $ 75 | (1)% | $ 148 | $ 144 | 3% |
| Retail sales per average store (thousands): | | | | | | |
| Victoria's Secret | $ 876 | $ 767 | 14% | $1,615 | $1,437 | 12% |
| Bath & Body Works | $ 367 | $ 329 | 12% | $ 612 | $ 561 | 9% |
| Apparel | $ 482 | $ 484 | 0% | $ 963 | $ 900 | 7% |
| Average store size at end of quarter (selling square feet): | | | | | | |
| Victoria's Secret | 5,067 | 4,949 | 2% | | | |
| Bath & Body Works | 2,318 | 2,279 | 2% | | | |
| Apparel | 6,515 | 6,431 | 1% | | | |
| Selling square feet at end of quarter (thousands): | | | | | | |
| Victoria's Secret | 5,021 | 4,904 | 2% | | | |
| Bath & Body Works | 3,591 | 3,571 | 1% | | | |
| Apparel | 6,364 | 7,113 | (11)% | | | |

| | Second Quarter 2006 | Second Quarter 2005 | Year-to-Date 2006 | Year-to-Date 2005 |
|---|---|---|---|---|
| **Number of Stores:** | | | | |
| **Victoria's Secret** | | | | |
| Beginning of period | 994 | 998 | 998 | 1,001 |
| Opened | 4 | 1 | 6 | 1 |
| Closed | (7) | (8) | (13) | (11) |
| End of period | 991 | 991 | 991 | 991 |
| **Bath & Body Works** | | | | |
| Beginning of period | 1,554 | 1,571 | 1,555 | 1,569 |
| Opened | 2 | 1 | 6 | 5 |
| Closed | (7) | (5) | (12) | (7) |
| End of period | 1,549 | 1,567 | 1,549 | 1,567 |
| **Apparel** | | | | |
| Beginning of period | 1,009 | 1,128 | 1,035 | 1,207 |
| Opened | 0 | 1 | 0 | 3 |
| Closed | (32) | (23) | (58) | (104) |
| End of period | 977 | 1,106 | 977 | 1,106 |

| | Number of Stores | | | Selling Square Feet (thousands) | | |
|---|---|---|---|---|---|---|
| | July 29, 2006 | July 30, 2005 | Change | July 29, 2006 | July 30, 2005 | Change |
| Victoria’s Secret | 991 | 991 | — | 5,021 | 4,904 | 117 |
| Bath & Body Works | 1,549 | 1,567 | (18) | 3,591 | 3,571 | 20 |
| Express Women’s | 227 | 375 | (148) | 1,349 | 2,267 | (918) |
| Express Men’s | 84 | 136 | (52) | 350 | 581 | (231) |
| Express Dual Gender | 389 | 281 | 108 | 3,053 | 2,397 | 656 |
| Total Express | 700 | 792 | (92) | 4,752 | 5,245 | (493) |
| Limited Stores | 277 | 314 | (37) | 1,612 | 1,868 | (256) |
| Total Apparel | 977 | 1,106 | (129) | 6,364 | 7,113 | (749) |
| Henri Bendel | 2 | 2 | — | 37 | 37 | — |
| Total stores and selling square feet | 3,519 | 3,666 | (147) | 15,013 | 15,625 | (612) |

*Net Sales*

The change in net sales for the thirteen weeks ended July 29, 2006 compared to July 30, 2005 was as follows:

| (Millions) Increase (decrease) | Victoria’s Secret | Bath & Body Works | Apparel | Other | Total |
|---|---|---|---|---|---|
| 2005 Net sales | $ 1,082 | $ 516 | $ 540 | $152 | $2,290 |
| Comparable store sales | 76 | 51 | (43) | — | 84 |
| Sales associated with new, closed and non-comparable remodeled stores, net | 30 | 3 | (19) | — | 14 |
| Direct channels | 47 | 11 | — | — | 58 |
| Mast third-party sales and other | — | — | — | 8 | 8 |
| 2006 Net sales | $ 1,235 | $ 581 | $ 478 | $160 | $2,454 |

At Victoria’s Secret, the comparable stores sales increase of 11% was driven by growth in all categories, including bras, beauty and the PINK sub-brand. The increase in the bra category is primarily attributed to two successful bra launches in the Secret Embrace line. The increase in the beauty category was primarily driven by new launches in the Body Care line and incremental sales from first quarter launches including Beauty Rush Lip Gloss and Eye Shadows. Sales increased in the PINK sub-brand driven by positive customer response to the loungewear assortment and strength in the panty category. The 15% increase in sales at Victoria’s Secret Direct was driven primarily by increases in the intimate apparel, swimwear and beauty product lines.

At Bath & Body Works, the 11% increase in comparable store sales was primarily driven by increases in the Signature Collection which can be attributed to the introduction of new fragrances in April as well as the launch of the hair care line in July. Incremental sales from the Temptations and Dr. Wexler product lines that were launched subsequent to the second quarter of 2005 also contributed to sales growth. Additionally, a strong start and finish to the June semi-annual sale added to sales growth.

At the Apparel businesses, the 10% decrease in comparable store sales primarily resulted from significant declines at Express. At Express declines across most categories were driven by the anniversary of significant promotional and clearance activity last year. These declines were partially offset by increases in casual knit tops and wear-to-work pants. At Limited Stores, the 4% decrease in comparable store sales was primarily driven by declines in pants, woven tops and sweaters.

The other net sales increase was primarily driven by an increase in volume of third party customer sales at Mast versus the second quarter of 2005.

The change in net sales for the twenty-six weeks ended July 29, 2006 compared to July 30, 2005 was as follows:

| (Millions) Increase (decrease) | Victoria's Secret | Bath & Body Works | Apparel | Other | Total |
|---|---|---|---|---|---|
| 2005 Net sales | $ 2,037 | $ 880 | $1,041 | $308 | $4,266 |
| Comparable store sales | 125 | 66 | (40) | — | 151 |
| Sales associated with new, closed and non-comparable remodeled stores, net | 50 | 3 | (32) | — | 21 |
| Direct channels | 75 | 17 | — | — | 92 |
| Mast third party sales and other | — | — | — | 1 | 1 |
| 2006 Net sales | $ 2,287 | $ 966 | $ 969 | $309 | $4,531 |

At Victoria's Secret, both the increase in comparable store sales of 10% and the increase in total sales were driven by growth in all categories, including the PINK sub-brand. The sales were supported by several bra launches throughout the Spring season, including the Angels Secret Embrace, Body by Victoria IPEX Wireless, Very Sexy Infinity Edge Push-up and Secret Embrace Demi. The increase in the beauty category was primarily driven by continued growth in the Body Care line and incremental sales from launches in the first quarter such as Beauty Rush Lip Gloss and Eye Shadows. The 12% increase in sales at Victoria's Secret Direct was driven by growth in the intimate apparel, swimwear and beauty product lines.

At Bath & Body Works, the 8% increase in comparable store sales was primarily driven by increases in the Signature Collection which can be attributed to the introduction of new fragrances in April as well as the launch of the hair care line in July. Incremental sales from the Temptations and Dr. Wexler product lines that were launched subsequent to the 2005 Spring season contributed to sales growth.

At the Apparel businesses, the 5% decrease in comparable store sales primarily resulted from significant declines at Express related to the significant promotional and clearance activity during the second quarter 2005. The 6% decline in comparable store sales at Limited Stores was primarily driven by declines in pants, woven tops and sweaters.

*Gross Profit*

Thirteen weeks

For the thirteen weeks ended July 29, 2006, the gross profit rate (expressed as a percentage of net sales) increased to 34.8% from 32.5% for the comparable period in 2005 primarily due to an increase in the merchandise margin rate at Express. The increase in merchandise margin rate at Express was driven by fewer markdowns as compared to 2005 when significant markdowns were required to move underperforming merchandise.

At Victoria's Secret, the gross profit rate decreased compared to last year driven by increased markdowns on core lingerie and PINK clearance merchandise during semi-annual sale and the exit of the current make-up line in the Beauty business to make way for the Fall launch of the new line. This decrease was slightly offset by buying and occupancy expense leverage achieved on a comparable store sales increase of 11%.

At Bath & Body Works, the gross profit rate increased compared to last year primarily driven by buying and occupancy expense leverage achieved on a comparable store sales increase of 11%. This was partially offset by a merchandise margin rate decrease due to promotional activity and clearance of seasonal merchandise during the semi-annual sale.

Twenty-six weeks

For the twenty-six weeks ended July 29, 2006, the gross profit rate (expressed as a percentage of net sales) increased to 36.2% from 33.5% for the comparable period in 2005 primarily due to an increase in the merchandise margin rate at Express. The increase in merchandise margin rate at Express was driven by fewer markdowns to move underperforming merchandise.

At Victoria's Secret, the gross profit rate decreased compared to last year driven by increased markdowns related to semi-annual sale and the exit of the current make-up line in the Beauty business. This decrease was substantially offset by buying and occupancy expense leverage achieved on a comparable store sales increase of 10%.

At Bath & Body Works, the gross profit rate increased compared to last year primarily driven by buying and occupancy expense leverage achieved on a comparable store sales increase of 8%. This was partially offset by a merchandise margin rate decrease due to promotional activity and clearance of seasonal merchandise during the semi-annual sale.

*General, Administrative and Store Operating Expenses*

The thirteen and twenty-six week general, administrative and store operating expenses and rates (expressed as a percentage of net sales) increased compared to 2005. These increases were primarily driven by an increase in marketing expense at Victoria's Secret to support new product launches, incentive compensation due to improved performance, investments in technology and process improvement initiatives to support future growth, store payroll costs and incremental stock compensation expense related to the Company's adoption of SFAS 123(R) in the first quarter of 2006.

*Interest Expense*

| | Second Quarter | | Year-to-Date | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Average borrowings (millions) | $1,680 | $1,650 | $1,680 | $1,650 |
| Average effective borrowing rate | 5.88% | 5.38% | 5.82% | 5.30% |

The Company incurred interest expense of $24 million for the second quarter of 2006 compared to $22 million for the same period in 2005. Year-to-date interest expense increased to $48 million in 2006 from $45 million in 2005. These increases resulted from an increase in average borrowings and effective interest rates compared to last year.

*Interest Income and Other Income (Loss)*

For the thirteen weeks ended July 29, 2006, interest income increased to $8 million from $4 million in 2005. The year-to-date interest income increased to $18 million in 2006 from $10 million in 2005. The increase primarily relates to an increase in average invested cash balances and effective interest rates. Additionally, $2 million of interest income was recognized in the second quarter of 2006 as part of the final settlement of a tax matter disclosed in our 2005 Annual Report.

For the thirteen weeks ended July 29, 2006, other income (loss) was ($1) million. For the twenty-six weeks ended July 29, 2006, other income (loss) was ($3) million compared to $1 million for the twenty-six weeks ended July 30, 2005. Other income (loss) includes gains or losses on equity investments and from property sales.

*Provision for Income Taxes*

The Company’s second quarter effective tax rate decreased to 37.2% in 2006 from 39.3% in 2005. The rate decrease is due to a net tax benefit recognized related to the resolution of certain state tax matters.

The Company’s year-to-date effective tax rate increased to 39.4% in 2006 from 37.8% in 2005. The rate increase is due to a net tax benefit recognized in the prior year primarily related to the resolution of certain state tax matters.

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## FINANCIAL CONDITION

*Liquidity and Capital Resources*

Cash generated from operating activities provides the primary resources to support current operations, projected growth, seasonal funding requirements and capital expenditures. In addition, the Company has funds available from an unsecured revolving credit facility (the “Facility”) as well as a commercial paper program which is backed by the Facility. The Company did not issue commercial paper or draw on the Facility during the thirteen or twenty-six weeks ended July 29, 2006. In addition, the Company has available a shelf registration statement under which up to $1 billion of debt securities, common and preferred stock and other securities may be issued. As of July 29, 2006, no securities have been issued under this registration statement.

A summary of the Company’s working capital position and capitalization follows (millions):

| | July 29, 2006 | January 28, 2006 | July 30, 2005 |
|---|---|---|---|
| Working capital | $1,231 | $ 1,209 | $1,026 |
| Capitalization: | | | |
| Long-term debt | $1,665 | $ 1,669 | $1,646 |
| Shareholders’ equity | 2,562 | 2,471 | 2,236 |
| Total capitalization | $4,227 | $ 4,140 | $3,882 |
| Additional amounts available under credit agreements | $1,000 | $ 1,030 | $1,000 |

The Company’s operations are seasonal in nature and consist of two principal selling seasons: Spring (the first and second quarters) and Fall (the third and fourth quarters). The fourth quarter, including the holiday period, typically accounts for approximately one-third of net sales for the year. Accordingly, cash requirements are highest in the third quarter as the Company’s inventory builds in anticipation of the holiday period, which generates a substantial portion of the Company’s operating cash flow for the year. The Company regularly evaluates its capital needs, financial condition and possible requirements for and uses of its cash.

Net cash used in operating activities was $159 million for the twenty-six weeks ended July 29, 2006 versus net cash provided by operating activities of $97 million for the same period in 2005. The increase in cash used in operating activities related primarily to changes in working capital, including the build-up of inventory in anticipation of Bath & Body Works’ conversion to a new supply chain management system and increases at Victoria’s Secret to support continued sales growth.

Net cash used in investing activities of $255 million for the twenty-six weeks ended July 29, 2006 consisted primarily of $249 million in capital expenditures. Net cash used for investing activities of $266 million for the twenty-six weeks ended July 30, 2005 primarily consisted of $250 million in capital expenditures.

Net cash used in financing activities of $143 million for the twenty-six weeks ended July 29, 2006 primarily included (i) cash payments of $130 million related to the repurchase of 5.4 million shares of common stock during the first and second quarters under the Company’s November 2005 and February 2006 share repurchase programs and (ii) quarterly dividend payments of $0.15 per share or $119 million. These uses of cash were partially offset by proceeds from the exercise of stock options and excess tax benefits from share-based compensation. Net cash used for financing activities of $273 million for the twenty-six weeks ended July 30, 2005 primarily included the repurchase of 8.1 million shares of common stock for $183 million and quarterly dividend payments of $0.15 per share, or $122 million, partially offset by proceeds from the exercise of stock options.

*Capital Expenditures*

Capital expenditures amounted to $249 million and $250 million for the twenty-six weeks ended July 29, 2006 and July 30, 2005, respectively, of which approximately $140 million and $145 million, respectively, were for new stores and for the remodeling of and improvements to existing stores. Remaining capital expenditures were primarily related to incremental investments in technology and infrastructure to support growth.

*Contingent Liabilities and Contractual Obligations*

As of July 29, 2006, the Company's contingent liabilities included approximately $234 million of remaining lease and lease related guarantees related to the divestiture of several former subsidiaries. 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 believes the likelihood of a material liability being triggered under these guarantees is remote.

The Company's contractual obligations primarily consist of long-term debt and the related interest payments, operating leases, purchase orders for merchandise inventory and other agreements to purchase goods and services that are legally binding and that require minimum quantities to be purchased. These contractual obligations impact the Company's short and long–term liquidity and capital resource needs. There have been no significant changes in the Company's contractual obligations since January 28, 2006, other than those which occur in the normal course of business (primarily changes in the Company's merchandise inventory-related purchase obligations which fluctuate throughout the year as a result of the seasonal nature of the Company's operations).

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48 (FIN 48), “Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109.” FIN 48 clarifies the recognition threshold and measurement principles for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company is currently evaluating this interpretation to determine if it will have a material impact on the Company’s financial statements.

In June 2006, the FASB ratified the Emerging Issues Task Force (EITF) consensus on EITF Issue No. 06-3, “How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross versus Net Presentation).” EITF Issue No. 06-3 states that the classification of taxes as gross or net is an accounting policy decision that is dependent on type of tax and that similar taxes are to be presented in a similar manner. EITF Issue No. 06-3 is effective for reporting periods beginning after December 15, 2006. The Company will adopt this consensus as required, and adoption is not expected to have an impact on the Company’s results of operations, financial condition or liquidity.

IMPACT OF INFLATION

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to 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 its estimates and judgments on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. There have been no significant changes to the critical accounting policies and estimates disclosed in the Company’s 2005 Annual Report on Form 10-K.

## Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The market risk of the Company's financial instruments as of July 29, 2006 has not significantly changed since January 28, 2006. Information regarding the Company's financial instruments and market risk as of January 28, 2006 is disclosed in the Company's 2005 Annual Report on Form 10-K.

## Item 4. CONTROLS AND PROCEDURES

*Evaluation of disclosure controls and procedures.* The Company's Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the Company's "disclosure controls and procedures" (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report (the "Evaluation Date"), have concluded that as of the Evaluation Date, the Company's disclosure controls and procedures were adequate and effective and designed to ensure that material information relating to the Company and its consolidated subsidiaries would be made known to them by others within those entities.

*Changes in internal control over financial reporting.* In July 2006, Bath & Body Works implemented new supply chain management and finance (including a new general ledger) systems and related processes as the second phase in an enterprise wide systems implementation. The Company believes that the system and process changes will enhance internal control over financial reporting. There were no other changes in the Company's internal control over financial reporting that occurred in our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

The Company is a defendant in a variety of lawsuits arising in the ordinary course of business. Although it is not possible to predict with certainty the eventual outcome of any litigation, in the opinion of management, the Company's legal proceedings are not expected to have a material adverse effect on the Company's financial position or results of operations.

Item 1A. RISK FACTORS

In addition to the risk factors below, the risk factors that affect the Company's business and financial results are discussed in "Item 1A: Risk Factors" in the 2005 Annual Report on Form 10-K. We wish to caution the reader that the risk factors discussed in "Item 1A: Risk Factors" in the 2005 Annual Report on Form 10-K, and those described elsewhere in this report or other Securities and Exchange Commission filings, could cause actual results to differ materially from those stated in any forward-looking statements.

**The Company relies significantly on its information technology systems.**

The Company's success depends, in part, on the secure and uninterrupted performance of its information technology systems. The Company's computer systems as well as those of its 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 the Company's servers and those of its service providers are potentially vulnerable to physical or electronic break-ins, computer viruses and similar disruptive problems. Despite the precautions the Company has taken, unanticipated problems may nevertheless cause failures in the Company's information technology systems. Sustained or repeated system failures that interrupt the Company's ability to process orders and deliver products to the stores in a timely manner could have a material adverse effect on the Company's operations.

**The Company's results may be adversely affected by fluctuations in the price of oil.**

Prices of oil have fluctuated dramatically in the past and have risen substantially in fiscal 2006. These fluctuations may result in an increase in the Company's transportation costs for distribution, utility costs for its retail stores and costs to purchase apparel from its manufacturers. A continual rise in oil prices could adversely affect consumer spending and demand for the Company's products and increase its operating costs, both of which could have a material adverse effect on the Company's financial condition and results of operations.

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

The following table outlines the Company's repurchases of its common stock during the thirteen weeks ended July 29, 2006 (thousands, except per share amounts):

| Period | Total Number of Shares Purchased (1) | Average Price Paid Per Share (2) | Total Number of Shares Purchased as Part of Publicly Announced Programs (3) | Maximum Dollar Value that May Yet Be Purchased (3) |
|---|---|---|---|---|
| May | 534 | $ 26.54 | 528 | $ 44,302 |
| June | 670 | $ 26.04 | 670 | $ 126,858 |
| July | 768 | $ 24.72 | 748 | $ 108,397 |
| Total | 1,972 | $ 25.66 | 1,946 | $ 108,397 |

(1) The total number of shares repurchased primarily includes shares repurchased as part of publicly announced programs, with the remainder relating to shares repurchased in connection with (i) tax payments due upon vesting of employee restricted stock awards, and (ii) the use of the Company's stock to pay the exercise price on employee stock options.

(2) The average price paid per share includes any broker commissions.

(3) In February 2006, the Company's Board of Directors authorized the repurchase of an additional $100 million of the Company's common stock. As of July 29, 2006, the Company had repurchased approximately 3.7 million shares of its common stock at an average price per share of approximately $25.04. During August 2006, the Company completed this program. In June 2006, the Company's Board of Directors authorized the repurchase of an additional $100 million of the Company's common stock. Through August 25, 2006, 0.6 million additional shares have been repurchased under these programs for $16.2 million at an average price of $25.71.

Item 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

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

The Company held its Annual Meeting of Stockholders on May 22, 2006. The matters voted upon and the results of the voting were as follows:

E. Gordon Gee, James L. Heskett, Allan R. Tessler and Abigail S. Wexner were elected to the Board of Directors for a term of three years. Of the 362,749,948 shares present in person or represented by proxy at the meeting, the number of shares voted for and the number of shares as to which authority to vote in the election was withheld were as follows, with respect to each of the nominees:

| Name | Shares Voted For Election | Shares as to Which Voting Authority Withheld |
|---|---|---|
| E. Gordon Gee | 347,627,944 | 15,122,044 |
| James L. Heskett | 353,970,612 | 8,779,337 |
| Allan R. Tessler | 350,421,661 | 12,328,288 |
| Abigail S. Wexner | 354,743,287 | 8,006,661 |

In addition, directors whose term of office continued after the Annual Meeting were: Eugene M. Freedman, David T. Kollat, William R. Loomis, Jr., Donna A. James, Leonard A. Schlesinger, Jeffrey B. Swartz, Raymond Zimmerman and Leslie H. Wexner.

Item 5. OTHER

Not applicable.

Item 6. EXHIBITS

**Exhibits.**

| | |
|---|---|
| 15 | Letter re: Unaudited Interim Financial Information re: Incorporation of Report of Independent Registered Public Accounting Firm. |
| 31.1 | Section 302 Certification of CEO. |
| 31.2 | Section 302 Certification of CFO. |
| 32 | Section 906 Certification (by CEO and CFO). |

SIGNATURE

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

LIMITED BRANDS, INC.
(Registrant)

By: /s/ MARTYN R. REDGRAVE
Martyn R. Redgrave
Executive Vice President,
Chief Administrative Officer and
Chief Financial Officer*

Date: September 1, 2006

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

**EXHIBIT 15**

August 30, 2006

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

We are aware of the incorporation by reference in the following Registration Statements:

Registration Statement (Form S-3 No. 333-125561)
Registration Statement (Form S-8 No. 33-49871)
Registration Statement (Form S-8 No. 333-110465)
Registration Statement (Form S-8 No. 333-04927)
Registration Statement (Form S-8 No. 333-04941)
Registration Statement (Form S-8 No. 333-118407);

of Limited Brands, Inc. and its subsidiaries of our report dated August 29, 2006 relating to the unaudited consolidated interim financial statements of Limited Brands, Inc. and its subsidiaries that are included in its Form 10-Q for the quarter ended July 29, 2006.

/s/ Ernst & Young LLP

Columbus, Ohio

**EXHIBIT 31.1**

Section 302 Certification

I, Leslie H. Wexner, certify that:

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

/s/ LESLIE H. WEXNER

Leslie H. Wexner
Chairman and Chief Executive Officer

Date: September 1, 2006

**EXHIBIT 31.2**

Section 302 Certification

I, Martyn R. Redgrave, certify that:

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

/s/ MARTYN R. REDGRAVE

Martyn R. Redgrave
Executive Vice President,
Chief Administrative Officer and
Chief Financial Officer

Date: September 1, 2006

**EXHIBIT 32**

Section 906 Certification

Leslie H. Wexner, the Chairman and Chief Executive Officer, and Martyn R. Redgrave, the Executive Vice President, Chief Administrative Officer and Chief Financial Officer, of Limited Brands, Inc. (the “Company”), each certifies that, to the best of his knowledge:

(i) the Quarterly Report of the Company on Form 10-Q dated September 1, 2006 for the periods ending July 29, 2006 (the “Form 10-Q”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ LESLIE H. WEXNER
Leslie H. Wexner
Chairman and Chief Executive Officer

/s/ MARTYN R. REDGRAVE
Martyn R. Redgrave
Executive Vice President,
Chief Administrative Officer and
Chief Financial Officer

Date: September 1, 2006